

U.S. Air Force Manual Calls for 'Superiority' In Space Arms, Forces

By Fred Hiatt
Washington Post Service

WASHINGTON — While politicians in the United States and the Soviet Union debate the dangers and merits of militarizing space, the U.S. Air Force is operating under a policy that calls for "gaining and maintaining space superiority," according to internal Air Force documents.

The air force's basic war-fighting manual, rewritten and reissued last year as basic "aerospace doctrine," argues that the military should no longer draw distinctions between the atmosphere where planes operate and outer space.

"Space is the outer reaches of the aerospace operational medium," the new manual says. "Space, as a

part of that medium, provides an unlimited potential and opportunity for military operations and a place where the air force can perform or support all of its missions and tasks."

Signed by General Charles A. Gabriel, air force chief of staff, the new manual incorporates an earlier air force text on space warfare that General Gabriel signed in 1982. That document, "Military Space Doctrine," spells out what the air force sees as the need to develop space-based weapons and train "space forces."

"The air force will maintain U.S. technological superiority in the aerospace and ensure a prolonged war-fighting capability by developing the potential for combat operations in the space medium," that manual states.

In a foreword to the manual, General Gabriel wrote: "The nation's highest defense priority — deterrence — requires a credible war-fighting capability across the spectrum of conflict. From the battlefield to the highest orbit, air power will provide that capability."

"Space is the ultimate high ground," General Gabriel said.

Two separate but related U.S. military space programs have drawn criticism from some members of Congress and sharp attacks from Soviet officials.

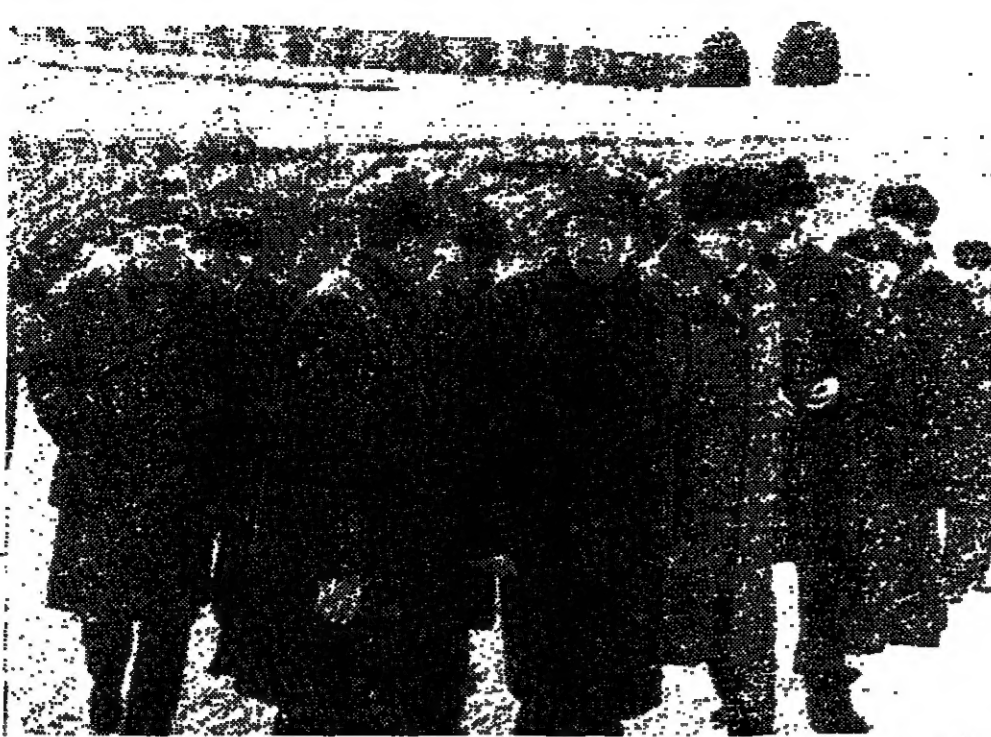
The air force is developing a satellite-killing rocket that has been tested twice. In addition, the Pentagon launched its Strategic Defense Initiative, popularly known as the "star wars" program, in response to a call from President Ronald Reagan to develop weapons that could shoot down nuclear missiles.

The Reagan administration has argued that space has been "militarized" for years, with surveillance satellites, intercontinental ballistic missiles that fly through space and, in the Soviet Union, an existing anti-satellite weapon.

However, the U.S. Air Force manual makes clear that the military is prepared to move well beyond satellites and ballistic missiles.

"Space-based weapon systems could contribute to deterrence in peacetime and to more rapid conflict termination or increased survivability in war," it says.

The 15-page manual cautions that U.S. activities in space are restricted by international law, which prohibits testing nuclear weapons in space or stationing any weapons of mass destruction there. In one paragraph, it deals with arms limitations, saying that the air force "will continue to study arms control options."



Andrei A. Gromyko, center, and aides as they returned Wednesday to Moscow.

Arms Accord Is Hailed By Reagan

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both sides wanted to begin arms negotiations as soon as possible. He immediately went to the White House to brief President Reagan.

"When we start I just can't say," Mr. Shultz said aboard his plane from Geneva. "But I think we both want to get started as soon as it is practical to do so."

Mr. Shultz said that there was no call for celebration and that the negotiations would be long and complex.

"So we can feel pleased that we have a good agreement, but nobody's had should go in the air," he said.

Mr. Shultz said that there had been "ups and downs" in the talks. But he added: "I don't think either Gromyko or I gave any indications that we were going to go home or walk out of the talks." He added: "That wasn't the atmosphere at all."

Before returning to Moscow Wednesday, Mr. Gromyko said that the accord was a step toward dialogue.

"The entire world knows well that the situation in the world as a whole largely depends on the state of U.S.-Soviet relations," he said, adding: "This is but a step compared to the immense tasks which are to be addressed in the course of the negotiations on space and nuclear arms." (UPI, NYT, Reuters)

Kennedy Sees Mrs. Mandela

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which is seeking to depose the South African government, is serving a life sentence for sabotage and trying to overthrow white-minority rule. Since his conviction in 1964, he has become the symbol of black suffering under the country's apartheid system of racial segregation.

[The South African government denied Wednesday a request by Senator Kennedy to visit Mr. Mandela in prison, United Press International reported. Justice Minister Kobie Coetsee said Mr. Kennedy did not "qualify" for a visit that could "prejudice" the possibility of a future decision to release Mr. Mandela.]

The government began allowing Mrs. Mandela "contact visits" with her husband in June, she said, and extended the monthly visits from 30 to 45 minutes each. Mr. Mandela, in a prison near Cape Town, previously talked to his wife over a telephone through a divider made of bulletproof glass.

Since their marriage in 1958, when Mr. Mandela was awaiting trial on a treason charge, she said: "I've never really spent any time with him. I've never really lived with him."

"I have never known what it is to be married," she added.

Mrs. Mandela said that prison guards were always present to monitor conversations during her visits.

"In the past 23 years," she said, "I've never had a private conversation with him. Every word is monitored."

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Talks Seen as Symbol Of East-West Rapport

(Continued from Page 1)

specialists on Soviet affairs is that Russian leaders know their economy is in trouble but refuse to make the necessary decisions to decentralize political control. Thus, the theory runs, they are looking for external help, much as they did in the early 1970s, in the form of trade, credits and Western technology.

Seeking external help is easier than making internal reforms. And so, many experts say, Moscow wants to clear the way for more economic intercourse with the West, and to do that means resuming the arms talks that Soviet leaders broke off more than a year ago when NATO started deploying new medium-range missiles in Europe.

For the Reagan administration's part, many officials came to believe that a bad relationship with Moscow was bad politics at home and meant bad relations with allies. As more and more officials in the administration came to say, they had to show they were able to manage Soviet-American relations or else forfeit support from allies and the American public.

Passion for arms control within the administration is still widely recognized to be modest. The division between the Pentagon hardliners and the State Department pragmatists is as deep as before, but advocates of making tough concessions to reach agreements are few.

There is still a widespread view in the administration that the Soviet Union is superior to the United States in strategic weapons. American officials are determined to demand larger concessions from Moscow than they are prepared to give. Moscow continues to maintain that there is a balance of forces and that concessions must be equal.

Thus, as administration officials explained, their position here was to continue to demand that the first priority was for Moscow to reduce its arsenal of large and powerful land-based missiles.

To make the equation even more complicated, President Ronald Reagan announced a year ago that he would give new emphasis to developing space-based defenses to protect people against missile attacks. And he argued that the whole basis of nuclear deterrence had to be reconsidered. Instead of relying on the power to destroy, he maintained, the emphasis should be on defense.

This idea, it seemed, both frightened the Russians and impelled them to return to the bargaining table. Soviet leaders demanded agreement to avoid the militarization of outer space.

The result was Geneva, not so much because officials on either side believed there was much hope for arms control but because of the realization that overall relations could not otherwise be improved.

East Europe Hails Talks Agreement

(Continued from Page 1)

ply reversing their previous position," an analysis said.

"This is what both sides have been edging toward since the space-weapons talks idea erupted last summer," he added.

The seven-nation Warsaw Pact was expected to adopt a coordinated public stance on the issue at a meeting of party and government leaders next week in Sofia.

"The Soviet-American statement has gone beyond expectations," said the Warsaw daily Zycie Warszawy. "It has confirmed the unquestionable success of the Geneva meeting, its key importance for the further shape of relations between the two superpowers."

It called the agreement "the most important in their relations to date."

Prague Radio said the result was "hopeful and positive," but repeated Czechoslovakia's usual anti-American stance. "Influential forces still exist in the U.S.A. which hinder any disarmament talks with the Soviet Union," the commentary said.

The Soviet Union has been ready for a constructive dialogue for a long time but efforts of one side are not enough," the Prague commentary said.

Czechoslovakia and East Germany have accepted basing of Soviet medium-range nuclear missiles as part of the bloc's response to deployment of NATO Pershing-2 and cruise missiles in West Europe.

East Germany's official media reported the agreement without immediate comment, as did news organizations in Romania.

Hungary's Communist Party newspaper Nepszabadsag, in a report from Geneva, welcomed the agreement but said that a long road had yet to be covered before a new comprehensive arms agreement. (Reuters, AP)

Judge in Britain Bans Reporting on Baby Case

The Associated Press

LONDON — A London court on Wednesday ordered a ban on reporting about a baby born of a surrogate mother, a court official said.

The Family Division of the English High Court took temporary custody Tuesday of the 5-day-old girl known as "Baby Cotton." She is the first known baby born in Britain to a woman paid to serve as a surrogate mother.

A court official said that Sir John Laity, a senior court judge, had ordered "a total blanket restriction" on publicity.

"The judge is particularly concerned that there should be no steps taken to lead to the identity of the father of the baby," he said.

Poland Failed To Discipline Priests, Says Policeman

The Associated Press

TORUN, Poland — A secret police captain charged with the kidnapping-murder of a pro-Solidarity priest testified Wednesday that he carried out the attack because of his frustrations with his superiors' indecisiveness in curbing the activities of outspoken Roman Catholic clergymen.

Captain Grzegorz Piotrowski continued his testimony for a third day in the trial in which he and three other security officers are charged in the October killing of the Reverend Jerzy Popieluszko.

Captain Piotrowski described how he worked long hours monitoring the actions of militant clergymen and how his superiors refused to take definitive actions against them.

At one point, he said, he gave the Polish interior minister, General Czeslaw Kiszczak, a letter outlining proposed activities against Mr. Popieluszko. He said General Kiszczak wrote on the note, "I would likely agree, but..." and he refused to take any plan.

Captain Piotrowski, 33, and Lieutenant Waldemar Chmielewski, 29, and Leszek Pekala, 32, are charged with Mr. Popieluszko's murder. Their superior, Colonel Adam Pietruszko, 47, is charged with instigating the crime. All four face possible death penalties if convicted.

The trial is in its eighth day. Captain Piotrowski made his statements about his frustrations under questioning from Artur Kujawa, the chief judge, who said he wanted to explore the defendant's motivation for the kidnapping.

The captain said the Interior Ministry officers responsible for monitoring the church had "no free days, no Sundays." He explained that "some clerics wanted to make some trouble."

Captain Piotrowski said "how could you stay calm" when people always ask you "what is going on, why are things like they are, and you have no answer?"

He described how he discovered "tons" of underground literature in Mr. Popieluszko's apartment during a search in December 1983 that led to a one-day arrest of the priest. He said "grown men cried" in the Interior Ministry when they learned that the Reverend Popieluszko had been set free after one day.

Captain Piotrowski recounted the events after the killing, when, he said, he and his subordinates returned to Warsaw believing there was high-level support in the Interior Ministry for their actions only to have their case quickly become unraveled.

Free Our Baker, French Villagers Urge the Court

The Associated Press

VENDEUVRES, France — Five hundred villagers in this area of central France have asked a court to free their baker so they can again have their daily bread.

The residents of Vendoeuvres, Saint-Genme, Migne and Meziere-en-Brenne said Tuesday in a petition to the court that they had no intention of interfering in the justice system. But they "refuse to walk many kilometers in the snow now that the baker is in prison for a family problem."

Marc Fricaud, 44, one of two bakers in Vendoeuvres, regularly delivered bread to the homes of the town's elderly. He was sent to jail last week for failing to pay 700 francs (about \$73) monthly to his former wife to help support their two children.

The town's other baker has not been able to keep up with the extra workload.

Mr. Fricaud stopped the payments when his children came to live with him. However, friends said, he failed to complete the proper paperwork to officially change their place of residence. There was no immediate word on how long Mr. Fricaud would remain in jail.

But every day that passes is too long for the elderly residents of the area, who said it was not only the bread they missed. "When one is old and cut off from everything, it is reassuring to know there will be someone passing by each day," one villager said.

Egypt Says It's Getting French Mirage-2000s

Agence France-Presse

CAIRO — France will deliver 20 Mirage-2000 fighter-bombers to Egypt at the end of the year, Egypt's deputy prime minister and defense minister, Abdul Halim Abu Ghazala, said Wednesday.

Under a contract signed in January 1982, Egypt would become the first country outside France to receive the warplane. The Egyptian government is believed to have placed orders for another 20 Mirage-2000s.

Already, officials are predicting a new style of operation at the White House under Mr. Regan, with more emphasis on cabinet government and cabinet councils and less of Mr. Baker's dependence on a tightly run political team centered in the White House staff.

Because all three senior White House officials are leaving, Mr. Regan is not expected to have to share power with other presidential aides as Mr. Baker did.

However, several confidants of the president who say Mr. Regan lacks the political experience and finesse of Mr. Baker suggested this could leave the president without sound political advice at his elbow unless knowledgeable strategists are brought in by Mr. Regan.

WORLD BRIEFS

Savimbi Reported Seriously Wounded

LISBON (AFP) — Jonas Savimbi, the Angolan rebel leader, has been seriously wounded during an attack by government forces on his headquarters in the south of the country, the Portuguese news agency said Wednesday.

In a dispatch from Luanda, the Angolan capital, the agency quoted Angolan military sources as saying the attack by elite troops in helicopters with heavy air support took place late last month. The troops struck at the headquarters of Mr. Savimbi's guerrilla organization, the Union for the Total Independence of Angola, at Jamba, a small town near the border with South-West Africa (Namibia), it added.

Rumors that Mr. Savimbi had been captured by Angolan troops circulated in South Africa in mid-December. He has not appeared in public for several weeks, and did not make his usual address at Christmas.

Thais Order Vietnamese From Border

TA PHRAYA, Thailand (AFP) — Thai troops ordered Vietnamese soldiers away from an area on the Thai side of the Thai-Cambodian border Wednesday, one day after the main Cambodian resistance camp of Ampil fell to Vietnamese forces, Thailand's armed forces chief, General Arthit Kamlang-ek said.

General Arthit said that Vietnamese troops were approaching an anti-tank ditch that he said was one kilometer (.62 miles) into Thailand when Thai soldiers instructed the Vietnamese over a loudspeaker to withdraw. The Vietnamese did so, the general said.

They apparently had come from Ampil, the anti-Vietnamese resistance base that Vietnamese forces routed with tanks and artillery on Monday and Tuesday. A Thai officer also said there were indications the Vietnamese might be digging in for a longer stay at the border.

China to Open All Ports to Investment

HONG KONG (AFP) — China plans to open all its coastal areas to foreign investment and trade to speed the country's economic growth, a state councilor, Gu Mu, said Wednesday, the Chinese news agency Xinhua reported.

Mr. Gu, according to an dispatch monitored in Hong Kong, made his comment during a meeting with a Chinese-language newspaper delegation from Thailand.

He said the move would "speed up the absorption of foreign funds and the import of new technology and accelerate the country's economic growth." China has opened up 19 areas to foreign investment so far. It established four special economic zones in the southeast, near Hong Kong, in 1980, opened up Hainan Island in the far south in April 1983 and then opened 14 coastal cities in April.

Filipino Minister Admits Rebel Gains

MANILA (NYT) — Defense Minister Juan Ponce Enrile warned Wednesday that the Communist insurgency in the Philippines was becoming increasingly bold and effective, noting that a "serious upsurge" in rebel activities resulted in the deaths of 2,000 civilians and military personnel last year.

Mr. Enrile described the insurgents' operations as "the most formidable threat to our national security today," adding that during the past year the rebels had increased the size, scope and sophistication of their military operations.

His remarks, made in a luncheon address, were the most detailed appraisal to date from a high-ranking government official of the insurgency's recent gains. Mr. Enrile termed the situation a "crisis," adding that the insurgents aimed to gain sufficient popular support to threaten the current government. "The grand design is to forge not only a military stalemate," he said, "but a so-called strategic stalemate with the government in all its political, economic, social and psychological dimensions."

Chinese Writers Uphold Freedoms

BEIJING (LAT) — Several of China's leading writers asserted Wednesday that their country now enjoys a vastly expanded literary and artistic freedom, but they also acknowledged that this freedom still has its limits.

Speaking at a group press conference after the end of a nationwide literary convention here, the writers praised China's current political leadership for allowing them greater independence. They said, however, that they do not anticipate any great outpouring of literary works critical of the government.

At one point, one writer, Wang Meng, was asked what might happen if a Chinese author decided to publish a work lauding Jiang Qing, the late wife of Mao. Miss Jiang was one of the principal architects of the Cultural Revolution and is now in prison in China. "If a writer writes a book praising Jiang Qing, OK, let's imagine the aftermath," Mr. Wang said. "The mass media would criticize him. When he walked on the street, people would spit on him." He added, "The publishing houses would not publish such a work."

Yugoslav Rebuts Conspiracy Charges

BELGRADE (Reuters) — A prosecution witness testifying before a district court in Belgrade said Wednesday that there was nothing secret or illegal about meetings attended by six Yugoslav dissidents being tried for conspiracy.

Jovan Miric, a psychologist, was the latest of a series of prosecution witnesses who have failed to support charges that the six conspired to undermine the state at private meetings since 1977. He said he did not know why the six were accused and why he was called to give testimony.

"Our gatherings resulted from our need to exchange intellectual opinions," he said, "and there was nothing illegal in them."

He produced two letters signed by nearly 100 Yugoslav intellectuals who admitted attending the same gatherings and said that if the meetings were illegal, the signatories also should be before the court.

Time Jury to Get Secret Israeli Data

NEW YORK (AP) — A U.S. district judge ruled Wednesday that the jury in Ariel Sharon's \$50-million libel suit against Time magazine will be allowed to hear evidence from secret Israeli documents and also will be told of Time's reservations about the information.

The Israeli government released on Monday the answers to three written questions submitted by Judge Abraham D. Sofaer about the secret documents that Israel had previously refused to provide for security reasons. On Wednesday, Judge Sofaer ruled that the complete Israeli reply to his questions was admissible as evidence, as well as a complaint by Time's Israeli lawyer, Chaim Zadok, that he was not allowed to see all the secret documents that the magazine deemed "crucial" to its defense.

Time asserted in its Feb. 21, 1983, issue that General Sharon, then Israel's defense minister, had "discussed" with Lebanese Christian Phalangists the need for revenge for the assassination of President-elect Bashir Gemayal the day before the Phalangists killed hundreds of Palestinians in Beirut in 1982. The magazine has contended that the information to back up its article was contained in the secret documents, which were part of an Israeli commission's investigation of the massacre.

Shipping Fraud Trial Starts in Greece

PIRAEUS, Greece (Reuters) — The trial of 25 people alleged to have mounted the biggest fraud in shipping history by scuttling a huge oil tanker after selling its cargo illegally to South Africa began in this Greek port Wednesday.

Accused are 18 Greeks — seamen or shipping agents — and seven people of other nationalities, including Frederick Soudan, the Lebanese-born American who owned the 92,226-ton Salem, which sank off Senegal Jan. 17, 1980.

The charge sheet said the crew unloaded 180,000 tons of crude oil in the South African port of Durban without the consent of the Shell Oil Co. which owned the cargo. South Africa paid \$44 million into Swiss bank accounts for the crude, it said, adding that the vessel was insured for \$24 million and the oil for \$56 million.

For the Record

The 40th game of the world chess championship was adjourned Wednesday after 40 moves with challenger, Gary Kasparov, holding a pawn advantage over the title, Anatoli Karpov. It is to resume Thursday. Mr. Karpov leads in the match 5-1 and needs one more victory to retain the world title. (AP)

Striking seamen employed by the French state railroad moved toward a compromise Wednesday by removing cables blocking the entrance to the harbor and the channel ferry terminal in Dunkirk, union sources said. The dispute is over plans to restructure services on the loss-making Sealink routes. (AFP)

Andre Fossaine, editor of the French liberal evening newspaper Le Monde, Wednesday announced he was a candidate to succeed outgoing Andre Laurens as managing director and publisher. (AFP)

The drift back to work in Britain's almost 10-month coal strike continued apace Wednesday as 289 more miners broke ranks with their union and returned to the pits. The union contends that 140,000 miners remain on strike. (AP)

The former West German economics minister, Otto Lambsdorff, was formally charged Wednesday with tax evasion in the Flick political bribery affair, a Bonn state court official said. (Reuters)

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Regan and Baker Are Contrasts, Both as Personalities and as Aides to the President

Head of Treasury Is Reagan Loyalist

By Peter T. Kilborn
New York Times Service

WASHINGTON — Donald T. Regan, the loyal Treasury secretary whom President Ronald Reagan made his chief of staff Tuesday, has been an enigma through the first four years of the administration. It has never been clear, as his views on issues have shifted and changed over that period, where he really leans.

The simple answer is that Mr. Regan shifts where the president shifts and leans where the president leans. Rarely, since he was first appointed to the Treasury, has Mr. Regan stood apart from the president on the nation's major economic questions — the budget deficit, growth, taxes, budget cuts — that often produced open splits within the administration and sometimes even within the White House staff.

A supremely confident, self-assured executive, Mr. Regan said that it would be premature to discuss changes he would make in the White House. But a close adviser to the president said Mr. Regan would restore discipline and a sense of momentum to the staff.

"There's a sense of disarray and some morale problems over there," the adviser said. "We're wasting some time. Don't wait until it's a disaster."

A former senior aide to the president said, however, that Mr. Regan, whatever his skills in managing personnel, had yet to prove himself as a political broker of the conflicting interests, both inside and outside the administration.

**I'm a political novice.
I'm a free-market
person. I believe in
competition.**



Donald T. Regan

that compete for the president's ear.

Mr. Regan's appointment marks another coup, characteristically one that he engineered himself, in a career that he began in the U.S. Marine Corps. He left as a lieutenant colonel and moved on to the training rooms of Merrill Lynch, where he moved up quickly to account executive and battled on through the steps of the senior management.

Once chairman, he took on the entire Wall Street club in breaking down its cartel-like system of fixed New York Stock Exchange commissions and close alliances that kept outsiders out of the business.

The secretary, who is 66, is a sometimes garrulous, sometimes

short-tempered, vigorous man. He seems to have thrived in the Treasury, but has often snaggled himself in the thickets of politics, where he readily admits he needs more experience to be an effective chief of staff.

To the astonishment of a Senate committee last year, for example, he suggested throwing away the 1984 economic report of the president. "He can't hack it on the Hill," said Harold B. Malmgren, a Washington economic consultant with close ties to the administration. "I'm a political novice," Mr. Regan said Tuesday. "I'm a free-market person. I believe in competition."

The tax plan that he proposed in November was the measure of that, he said, because it seeks more near-

ly equal treatment of individuals and different industries.

Mr. Regan's aides said he accepts little at face value. "He's not wedded to conventional wisdom," said R.T. McNamara, his deputy. "He wants to see the analytical underpinnings of anyone's argument."

Donald Thomas Regan is a man who masterminds, orchestrates and controls. Detractors, the legions of orthodox economists on both the left and the right who oppose his pro-growth, supply-side economic views, credit him with important achievements through his years in the Treasury.

He takes credit for having managed the rescue of the developing country debtors, such as Mexico, Argentina and Brazil, not by setting up a new institution to help them make payments on their loans but by working through each crisis case by case and requiring that the private banks, not governments, provide most of the necessary aid.

Mr. Regan threw himself energetically into the shaping of the Treasury's tax plan, putting his personal prestige behind an ambitious proposal that has been widely attacked by businesses but that has won widespread support.

It was Mr. Regan, the confident manager-planner who engineered his own appointment to the top staff job in the White House. Last month, he said, when he heard rumblings of William P. Clark's decision to resign as interior secretary and from Mr. Regan's inner circle and put them together with reports that Michael K. Deaver, the president's deputy chief of staff, was interested in leaving, too, and that James A. Baker 3d, who wears of the job of chief of staff, he approached Mr. Baker.

Texan Won Fight For Legislation

By Francis X. Clines
New York Times Service

WASHINGTON — The artistry of James A. Baker 3d at political compromise is such that his designation as the next secretary of the Treasury has quickly been rated as improving the chances for Congress to craft a bipartisan measure for simplifying U.S. income taxes.

As chief of staff, Mr. Baker has been more a political strategist and technician than a spokesman on monetary policy and fiscal matters, and thus his views on economic policy are publicly undefined.

But Mr. Baker was the first administration principal to signal within days of President Ronald Reagan's re-election that bipartisanship rather than confrontation would be the strategy on the difficult issue of tax simplification.

Now he can pursue this full time in assuming the major cabinet portfolio that was a remaining goal of the tall Houston millionaire.

Mr. Baker's style with Congress has forged major success for Mr. Reagan in the past four years. These included piecing together coalitions for the early budget and tax victories, for minimizing the political damage from the Social Security issue and for defending the president's MX missile program.

"More than anyone else, he has been Mr. Indispensable in the first four years of the administration," said Ken Duberstein, the Reagan administration's former chief lobbyist on Capitol Hill, who rates Mr. Baker's political instincts as the sharpest in the city.

James Addison Baker 3d, 54, will

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Indispensable in the
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administration.'**



James A. Baker 3d

bring to the Treasury post a useful mix as an experienced corporate lawyer, a veteran of the Commerce Department in the Ford administration, the manager of Mr. Reagan's re-election campaign, and most important of all, a successful gambler in the politics of Washington. His achievement has been in reaching across political ideologies to create support for presidential programs.

Washington veterans note that Mr. Baker's talent for compromise has brought him close to such Democrats as Representative Dan Rostenkowski of Illinois, the chairman of the Ways and Means Committee, who will be a principal in the tax simplification issue.

Mr. Baker's currently most pressing credential for the financial

community, perhaps, is his attitude toward the record federal deficit. On this, he fought recently for the president's endorsement of an across-the-board budget freeze, only to see Mr. Reagan side once again with Secretary of Defense Caspar W. Weinberger and spare the military budget from deep cuts.

After four years of ideological buffeting, Mr. Baker is cautious around conservatives, although he became an angry partisan in stopping an attempt by White House conservatives to introduce polygraph, or lie detector, tests as a staff loyalty tool to stem unauthorized news disclosures.

His other intramural struggle of note involved facing off against William J. Casey, the director of central intelligence, in their contra-

ditions over how some debate briefing papers were obtained in 1980 from President Jimmy Carter's re-election campaign.

Mr. Baker's departure from the White House, expected in the spring, raises a variety of questions, principally whether his successor, Donald T. Regan, will be able to quickly build a staff of strategists and executives as effective as Mr. Baker's.

Some administration officials speculated that Richard Darman, the assistant to the president who is Mr. Baker's deputy and architect of strategy, also is likely to move over to Treasury to specialize in international finance, or eventually become the president's next budget director.

As a Republican who twice opposed Mr. Reagan's bid for the White House, in behalf of President Gerald R. Ford in 1976 and George Bush in 1980, Mr. Baker was hired as an unexpected outsider in the early Reagan administration. Eventually he succeeded in outwitting most of the president's old-line cadre of Californians. He prevailed over the continuous criticism of the self-defined "movement conservatives" that his knack for making pragmatic deals was a danger to the president's own principles.

Mr. Reagan never agreed, and while Mr. Baker will depart the White House bruised and weary, he is leaving with the obvious reward he sought and with a fresh chance to engage in the dealing on Capitol Hill that he prizes. An associate noted Tuesday that Mr. Baker, characteristically, has taken a careful, early reading on his confirmation chances in the Senate, and they look favorable.

Republicans in Senate Study Spending Freeze

By Jonathan Furber
New York Times Service

WASHINGTON — Senate Republicans began considering on Wednesday a basic proposal to reduce the U.S. government deficit by freezing spending across the board and eliminating all cost-of-living increases next year, according to congressional sources.

The freezes would affect both military spending and the Social Security program of retirement benefits and disability payments. President Ronald Reagan refused both choices in his budget proposal, which fell about \$40 billion short of meeting the administration's goal of trimming the deficit to \$100 billion by 1988. On Friday, Senate Republicans began their own attempt to meet the target.

The proposals were worked up by Senator Pete V. Domenici, Republican of New Mexico, who is chairman of the Budget Committee and of the Republican leadership's budget group.

In addition to the freeze, the package will offer Republican senators a list of possible program eliminations and spending cuts below current levels, most of which already were outlined in the president's budget proposal in December. The staff of the Budget Committee has developed some additional proposals, including a revamping of military retirement benefits and cuts in some foreign economic aid programs, the sources said.

White House officials indicated this week that they welcomed the effort by the Senate Republicans and even suggested that Mr. Reagan could accept elimination of the cost-of-living adjustment for Social Security if it was backed by Democrats.

The Republican budget group, senators who are committee heads or members of the leadership, were to be asked Wednesday whether they wanted to endorse the across-the-board freeze or modify it, and which of the additional cuts they can accept.

Congressional aides said that if

Congress passed most of the list of options, which will cover three pages, the deficit would be reduced to \$100 billion in 1988 and would balance in 1990. There is no tax increase included in the deficit-reduction outline.

Senator Alan K. Simpson, Republican of Wyoming and the new majority whip, said that Mr. Domenici would ask the committee chairman to come up with "hard figures" on acceptable reductions "so we can begin to cut."

Mr. Reagan is scheduled to send his budget to Congress on Feb. 4. The Senate majority leader, Robert J. Dole of Kansas, said Friday he wanted the Republicans to finish by Feb. 1.

In comments Tuesday, he said that tax increases "should not be considered now, but added, "If we get to that last resort, then, of course, that will be another matter."

Mr. Dole and Senator Richard G. Lugar, Republican of Indiana, indicated Tuesday that the tax reduction or simplification plan that was produced by Treasury Secretary Donald T. Regan would be modified significantly.

Mr. Lugar said the plan was "going under some midcourse corrections" aimed at "stimulating investment." His comment fits with remarks by Reagan administration officials who indicated Monday that there would be a restoration of some of the depreciation and other business tax breaks removed in the initial proposal.

The president is opposed to heavy restraints on the growth of his military budget. His package included only minimal savings, totaling under \$30 billion over three years. A freeze for one year would save more than \$106 billion over three years. It is not clear whether Congress would approve a military freeze.

Mr. Reagan proposed eliminating two dozen programs, including subsidies for the Amtrak passenger rail system and other mass transit and revenue sharing with the states. All these will be considered.

Gunman Posts El Salvador Gets Vietnam War-Type U.S. Gunship

By James LeMoine
New York Times Service

NEW YORK — The United States has provided the Salvadoran Air Force with a gunship specially designed for counterinsurgency warfare, a major increase in the weapons available to El Salvador's military, according to U.S. Embassy officials.

The gunship, a propeller-driven AC-47, is mounted with night-vision equipment and three 50-caliber machine guns able to fire 1,500 rounds a minute.

Called an "airborne fire support platform," the craft was delivered to El Salvador two weeks ago and is now ready for combat, the officials said Tuesday.

The gunship is essentially a converted, slow-moving, twin-prop airplane mounted with machine guns designed to be fired in tandem and with great precision by the plane's pilot, according to the embassy officials.

A Western official said the gunship might have been used to repel a rebel attack in the east of the country on Monday night, but his account could not be confirmed.

The craft is similar to gunships used in Vietnam but has been intentionally built to have a much reduced rate of fire, U.S. officials said. Those used in Vietnam were dubbed *Phoebus* and *Dragon* for their ability to fire up to 18,000 rounds a minute from specially designed miniguns.

The aircraft is expected to be effective against large-scale attacks by guerrilla units, but is considered unlikely by itself to prove decisive in the war.

Although delivery of the gunship had been expected, there was no warning that it already had been delivered and was ready for use, U.S. officials in El Salvador and Washington predicted in October that at least one gunship would be sent to El Salvador sometime this year.

Vandenberg Launching Postponed Until 1986

LOS ANGELES — The first launching of the space shuttle from Vandenberg Air Force Base in California has been delayed until early next year because of problems in meeting the shuttle's ambitious schedule, the space agency and the U.S. Air Force announced.

The launching had been scheduled for Oct. 13, but the shuttle *Discovery*, which is to be based at Vandenberg, will remain at the Kennedy Space Center in Florida for two more missions than had been expected, officials said Tuesday. The delay also will provide an "added margin" of time to ensure that the secret military payload it will carry on its first mission from Vandenberg will be ready.

A witness who testified before a grand jury in New York State is granted automatic immunity from prosecution for the crime at hand as well as for any other crime, he may happen to mention, unless the witness waives his immunity.

The four young men, all from the Bronx, have criminal records, mainly in the Bronx. They have had a total of 10 bench warrants issued for their arrests because they failed to keep court dates.

The most serious felony charge is against Darryl Cabey, 19, who has been paralyzed from the waist down since the shooting. He is charged with committing an armed robbery Oct. 13 with what the police said appeared to be a shotgun.

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U.S. Bars Interviews of FBI Concerning Donovan Probe

Washington Post Service

NEW YORK — The Justice Department, after pledging its full cooperation, is now refusing to allow the Bronx authorities to interview FBI agents and others in connection with the indictment of the U.S. labor secretary, Raymond J. Donovan.

Prosecutors in the office of the Bronx district attorney, Mario Merola, said at a state court hearing here Tuesday that they had protested the department's refusal to permit questioning of the FBI agents and to supply certain documents, but to no avail.

They said they were told that they would have to wait until the FBI and the Justice Department complete an inquiry into alleged improprieties by agency officials pertaining to the Donovan case.

The inquiry concerns allegations that a federal judge was misled in 1979 when government attorneys sought to justify the FBI's continued electronic surveillance of one of Mr. Donovan's co-defendants, William P. Masselli, a reputed Mafia member.

Tape recordings from that surveillance constitute the centerpiece of the state's case, which accuses Mr. Donovan, Mr. Masselli and eight others of defrauding the New York City Transit Authority of about \$7.4 million on a subway construction project.

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Israelis Raid Lebanon Base Of Pro-Syrian Palestinians

United Press International
BEIRUT — Israeli warplanes raided a suspected Palestinian base in eastern Lebanon's Bekaa Valley Wednesday.

In Jerusalem, the Israeli military said the planes scored "good hits" on a base of the pro-Syrian Palestinian movement, the Popular Struggle Front, near the town of El Marj, about 26 miles (42 kilometers) east of Beirut.

But a Lebanese police spokesman said initial reports indicated two rockets exploded about 220 yards (200 meters) from the nearest buildings used by the Popular Struggle Front and said there were no casualties.

The attack was the first Israeli air strike into Lebanon in six weeks and came two days after Israel said it had broken off talks with Lebanon on security arrangements for Israeli-occupied southern Lebanon.

In Beirut, meanwhile, police and the U.S. Embassy reported no progress in the search for the Reverend Lawrence Martin Jenco, an American who is director of Catholic Relief Services in Lebanon. He was kidnapped Tuesday by gunmen. The priest is said to be in urgent need of treatment for a heart condition.

The priest was the eighth American to be kidnapped in West Beirut since Moslem militiamen took over the Moslem half of the capital last February. Three of the Americans have been released.

After a meeting of the Lebanese cabinet, Prime Minister Rashid Karami said his country was "keen" to continue military talks with Israel at the Lebanese border village of Naqura.

Official sources said the cabinet also considered preparations for



The Reverend Martin Lawrence Jenco was kidnapped Tuesday in Beirut.

the deployment of 1,200 Lebanese Army troops along a key southern coastal road, where paramilitary police fanned out Wednesday.

Military sources said a 200-member police unit had encountered "no problems" as it secured the front of the highway to the Israeli front lines in southern Lebanon and took up positions in surrounding hills.

The sources said the army would move along the road either Friday or Saturday in advance of any Israeli withdrawal of its estimated 10,000 troops in southern Lebanon. Israel maintains Lebanese troops cannot secure the south.

Israeli Cabinet Discussion
Israel's 10-member inner cabinet discussed Wednesday a unilateral pullback from South Lebanon after the failure of withdrawal talks with Beirut. Reuters reported from Jerusalem.

Prime Minister Shimon Peres planned the session to be exploratory with no final decision until after the arrival next Monday of the United Nations under-secretary-general, Brian E. Urquhart, aides said.

Refugee Flights Halted By Sudan, Airline Says

By Richard Bernstein

New York Times Service

BRUSSELS, Belgium — A Belgian charter airline stopped carrying Ethiopian Jews from the Sudan to Israel because of pressure from Sudan, a spokesman for the airline said Wednesday.

"The mission was interrupted independent of the company," said Paul Degeiter of Trans European Airways. "It was not we who stopped it, but the operation had to be terminated."

In a telephone interview, Mr. Degeiter declined to specify whether the airline had received instructions directly from the Sudanese government. But he indicated that landing rights had been withdrawn.

"It is a question of being able to land," he said. "If you want to go somewhere, you have to have landing rights."

The airline announced Saturday it was canceling the operation, which had brought about 7,000 Ethiopian Jews to Israel after brief stopovers in Western Europe.

Airline industry analysts and the

Belgian press have described Trans European Airways as an aggressive, growing concern that has several military contracts with the United States and others in addition to its charter flights.

It was founded in 1970 by George Gutelman, who is reported to have close ties with Israel. The company's also flies Moslem pilgrims from Sudan to Mecca, an involvement that might have led to its being chosen to fly the Ethiopian Jews from the Sudan.

Refugees See Prejudice

Ethiopian Jewish immigrants are deeply hurt by their portrayal in the Israeli press and feel they are viewed as primitives. Reuters reported from Tel Aviv, quoting a psychologist working with the refugees.

"They feel the Israeli people look down on them," Zvi Yadin, chief psychologist of the Jewish Agency's immigration department, said in a state radio interview.

An Israeli, interviewed in a northern town where some of the immigrants are staying, was quoted in a leading daily as calling them "something out of the 15th Century."

Mr. Yadin said the use of the term "falasha" also was disturbing. "Falasha" is a dirty word to them," he said. "It means 'stranger' and that's what they were called in Ethiopia."

He said the press had done the immigrants a disservice by listing venereal disease as one of the ailments afflicting them. In fact, only a few cases had been discovered, he said.

West Bank School Assails the Israelis For Arab's Death

United Press International

JERUSALEM — A report from Bir Zeit University on the West Bank says that an Arab student killed Nov. 21 was not shot by soldiers acting in self-defense, as the soldiers claimed. The university demanded a full investigation.

The report, called "No Mercy" and backed by five affidavits and photographs, said "the army employed shoot-to-kill heavy gunfire against students without any form of warning." The report said rifles with telescopic sights had been used.

It also said a car trying to take the wounded student, Sharif Tabi, to a hospital had been delayed 25 minutes while soldiers taunted the Arabs and the student died.

The report said that after stopping the demonstration supporting Yasser Arafat, chief of the Palestine Liberation Organization, soldiers went into the university cafeteria and "smashed all the windows with their rifle butts and broke up furniture."

The Israeli Army refused direct comment. Military sources said the Israeli troops fired warning shots. They said the soldiers even aided the evacuation of the wounded student by removing roadblocks but that the students impeded the effort. The sources denied that the cafeteria was damaged.

Nicaragua Rebels Urge Sandinistas To Open Talks

The Associated Press

TEGUCIGALPA, Honduras — Three Nicaraguan rebel groups have urged the leftist Sandinista government to begin negotiations with them within 30 days, saying they would be willing to stop fighting if talks led toward "democratization."

The rebels said Tuesday in a communiqué that they were willing "to keep open the doors to a political solution to the grave problem of Nicaragua."

Alfonso Robelo Callejas signed the statement for the Costa Rican-based Democratic Revolutionary Alliance. Adolfo Calero Portocarrero for the Honduras-based Nicaraguan Democratic Force; and Wycliffe Diego for Misura, an organization of Nicaraguan Indian guerrillas.

Blacks Play More Powerful Roles in U.S. House

By Milton Coleman

Washington Post Service

WASHINGTON — The Congressional Black Caucus, perennially written off by some detractors as a powerless social club, has assumed a new prominence in the House of Representatives, highlighted by the selection of two of its members as chairmen of key committees.

Representative William H. Gray 3d, Democrat of Pennsylvania, became chairman of the House Budget Committee last week. His selection followed by a few months the ascension of Representative Augustus F. Hawkins, Democrat of California, to chairman of the House Education and Labor Committee.

Black Caucus members, most of them with relatively safe seats, now head five of the 22 standing committees in the House.

Blacks also serve as chairmen of two of the five less-important select House committees and of several subcommittees. They also hold high-ranking seats on other influential House panels, including the Ways and Means Committee.

Overall, 20 House members are black — one of every 22 House members, but one of every four of its committee chairmen.

Caucus members and others say this signals a "coming of age" of the black lawmakers, the advent of more sophisticated politicking and a long-sought focus for the caucus.

It also offers the black legislators the opportunity to have a stronger imprint on House legislation and a chance — collectively and individually — to play more powerful roles in Capitol Hill politics.

However, some wonder about the effect of the new strains on the black representatives to resolve their sometimes conflicting roles as spokesmen for their racially and economically integrated districts, for the poor, for black Americans in general and



William H. Gray 3d



Julian C. Dixon

now for diverse congressional panels.

"My guess is that in the Black Caucus in the next two to four years, as they move into positions of leadership and prominence, there's going to be a sort of identity crisis," said Norman J. Ornstein, a political scientist at the American Enterprise Institute.

"All of a sudden you can't as comfortably play the role of purist or conscience," Mr. Ornstein said. "You can't ignore the needs of people who don't agree with you as chairman, or you won't be chairman very long."

Representative Mickey Leland, Democrat of Texas, the chairman of the Black Caucus, said the new reality is likely to be an important element in the success or failure of Mr. Gray as Budget Committee chairman. In most recent years the caucus has focused much of its dissent on the budget and presented alternatives.

"We have to reorganize our game plan in terms of the budget," Mr. Leland said. "We have to look at it from the point that we have a sympathetic ear, and we have to protect his credibility and his integrity. We don't want

Bill to be just a one-term chairman."

"He also can't be shackled to being a black representative. He has to be a universal representative of the Congress. We can no longer be parochial."

"It's just an added responsibility," said Representative Julian C. Dixon, Democrat of California, who preceded Mr. Leland as caucus chairman. "Bill Gray will have to reach a very delicate balance in trying to bring together a budget."

Mr. Dixon was chosen Friday to succeed another black Representative, Louis Stokes, Democrat of Ohio, as chairman of the Committee on Standards of Official Conduct, the House ethics panel.

Representative Ronald V. Dellums, Democrat of California, heads the District of Columbia Committee and the Armed Services subcommittee on military installations. Representative Parren J. Mitchell, Democrat of Maryland, heads the Small Business Committee. Mr. Leland is chairman of the Select Committee on Hunger, and Representative Charles B. Rangel, Democrat of New York, heads the Select Committee on Narcotics Abuse and Control.

Mr. Gray and Mr. Dixon won chairmanships with some help from relatively recent House rules that provide for rotating chairmanships and memberships on some panels. The others have benefited in large part from longevity that observers say is common among black members of the House.

The late Representative William L. Dawson, Democrat of Illinois, began the flow of big-city black Democrats to Congress with his election in 1942. Since then, 32 other blacks have followed. Twenty still hold their posts.

Black Caucus members invoke the names of Mr. Dawson, the late Representative Adam Clayton Powell, Democrat of New York, who was chairman of the Education and Labor Committee from 1961 to 1967, and former Representative Charles C. Diggs Jr., Democrat of Michigan, chairman of the District Committee from 1973 to 1979, in their support for the seniority system.

Without that system, they contend, the three might not have ascended to their posts. And lacking an ironclad seniority system now, blacks are less likely to become chairmen of additional committees.

"We don't really think that racism in this country has so diminished," Mr. Rangel said. "That given the opportunity to vote on individuals based on their experience and ability that we could overcome that without the assistance of the seniority system."

Observers say it is ironic that Mr. Gray, in only his fourth term, has become virtually the most powerful black in the House. But they also note that he won the chairmanship of the Budget Committee by exhibiting mastery of the political process in the House.

That, observers say, indicates a new breed of black lawmaker that Mr. Ornstein describes as "more institutional players" than some of their predecessors and elders.

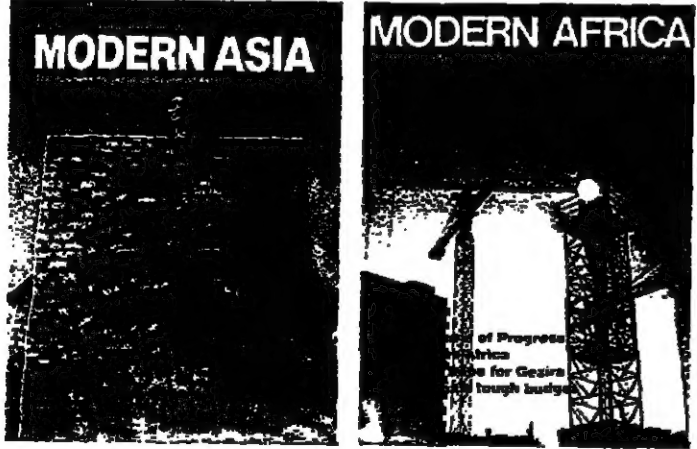
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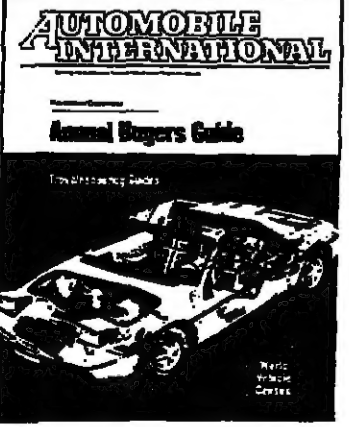
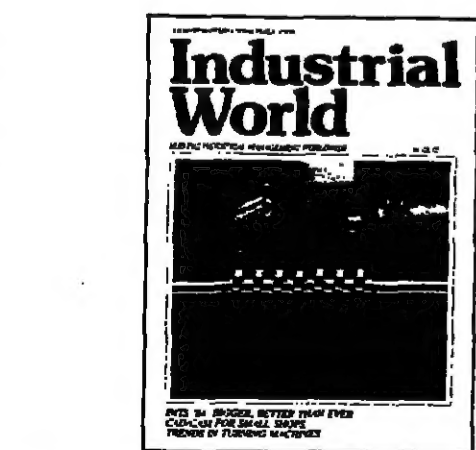
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North Korea Delays Talks in South

The Associated Press

TOKYO — North Korea postponed on Wednesday talks on humanitarian issues with South Korea and threatened to put off economic discussions for the duration of a scheduled three-month military exercise involving U.S. and South Korean troops.

The humanitarian talks, which were scheduled to take place Jan. 23 in Seoul, are being postponed because they are "incompatible" with the "war rehearsal" maneuvers, according to a report by North Korea's official Korean Central News Agency. Sponsored by the Red Cross, the talks were to consider the reunification of families separated by the division of Korea after World War II and the Korean War.

Officials in South Korea announced last week that Team Spirit '85, the 10th annual Team Spirit exercise, would start Feb. 1 and last until the end of April. The announcement said about 200,000

U.S. and South Korean troops would take part.

North Korea's Red Cross chairman, Son Song Pil, told his South Korean counterpart by telephone Wednesday that "the war rehearsal act timed to coincide with the departure of our delegation for Seoul on a noble humanitarian mission is undoubtedly an act going against humanitarianism and a grave provocation," according to the North Korean report, monitored in Tokyo.

"Furthermore, your side, as the host inviting us, tries to brandish bayonets and give off a powder smell against our side, the guest," Mr. Son was quoted as saying. "Under such conditions it is terrible indeed for us to go to the terror-ridden place."

A second round of separate talks aimed at exploring economic cooperation is scheduled for Jan. 17. They, too, are jeopardized because of the Team Spirit maneuvers, said

Vice Prime Minister Kim Hwan of North Korea.

Mr. Kim telephoned South Korea's deputy prime minister, Shin Byong Hyun, and called Team Spirit "a provocation that lays artificial obstacles in the way of the planned economic talks and an insult to our side, which put forward a peace proposal," the North Korean news agency reported.

He said it would be "impossible" to hold the economic talks if South Korea went ahead with the exercises. The first round of economic talks was held in November.

The November discussions were the first direct talks between the two governments in four years. They originally were scheduled to resume Dec. 5.

But North Korea postponed the economic talks to this month following a gun battle in the Demilitarized Zone when a Soviet national defected across the border to South Korea.

TWA Loses Case On Pilot Age Bias

Los Angeles Times Service

WASHINGTON — The Supreme Court, tightening the rules against age discrimination, held unanimously Tuesday that Trans World Airlines violated the law when it denied pilots older than 60 the same chance to switch to less demanding jobs that it gave younger pilots.

Although the airline was not required to grant transfer privileges to any pilot, if TWA did allow younger ones to change jobs for other reasons, such as medical disabilities, it could not deny others the opportunity merely because of their age, the court said.

But in an important concession to the employer, the justices also ruled that TWA was not liable for more costly double-damage awards to the pilots who brought suit against the airline.

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IN BRIEF

New Technique Could Replace Scalpel

LONDON (AP) — Researchers at London's Hammersmith Hospital have announced the successful development of what they say is a revolutionary new surgical technique that can make the scalpel redundant in many instances.

Professor David Allison, director of diagnostic radiology at the hospital's medical school, said the technique involves ultra-fine tubes "armed" with a variety of tiny implements and guided along veins and arteries to the kidneys, liver, brain and other parts of the body.

He said the tubes can be used to seal arteries after stab wounds, road accidents or in the treatment of ulcers. Kidney stones and gallstones can also be removed using the new technique, and blocked arteries in the limbs, kidneys and even the heart can be cleared, Dr. Allison said.

Rare Whooping Cranes Branch Out

LARAMIE, Wyoming (NYT) — Wildlife researchers have found that some of the 160 endangered whooping cranes in the United States, which now inhabit summer and winter sites in four different areas, may soon make a fifth area — Wyoming — their permanent summer home.

If a new whooping crane colony is established in Wyoming it will give the rare birds an additional area for propagation, thus enhancing the chances of increasing their population. In 1937 there were only 29 whooping cranes in the United States.

The whoopers, as they are called, have been wintering in New Mexico and Texas and summering in Idaho and Canada. Researchers say a group of about nine now has taken up summer quarters in the upper Green River Basin section of Wyoming.

The Homicide Rate Follows the News

SAN DIEGO (NYT) — Widely publicized news accounts in which violence is rewarded — for example, a championship boxing match — are followed by a brief but significant rise in the national homicide rate, according to a report in the current issue of *The Journal of Communication*.

On the other hand, news articles about violence that is punished are followed by a brief decline in the homicide rate, according to the report. It said the drop in homicide rates was as great after a life sentence as after an execution.

And widely-published items about violence that is neither rewarded nor punished do not seem to affect the homicide rate at all. The research was conducted by David Phillips and John Hensley, sociologists at the University of California at San Diego.

Mastodon Bones Unearthed in Texas

AUSTIN, Texas (AP) — A downtown construction site has yielded mastodon bones, teeth and tusks, and experts said this week the pit may rank as North America's second-largest repository of bones from the prehistoric elephant-like beasts after a similar site in Missouri.

The bones, lying in what may have been a watering hole more than 10,000 years ago, were discovered 17 feet below street level by a backhoe operator who noticed a flash of ivory in a mound of gray clay.

Scientists used hand shovels Tuesday to sift through the damp soil where the first bone was found Dec. 30, while bulldozers scooped up dirt from other parts of the excavation for a 22-story office tower.

Mastodons died out more than 10,000 years ago, but at least one of the tusks discovered was well-preserved by the clay, Ludelius said.

Too Much Water Endangers Infants

WILMINGTON, Delaware (NYT) — Infants suffering from a wide variety of ailments, from simple restlessness to convulsions, may in fact be "drunk" on water.

If, for example, they are fed with excessive amounts of very diluted formula, they may develop an extremely rare but potentially fatal condition called water intoxication, according to Robert E. O'Connor of the Wilmington Medical Center in Wilmington, Delaware.

Body cells swell and cellular metabolism is disturbed. Symptoms are restlessness, nausea, vomiting, diarrhea, weakness and convulsions. However, Dr. O'Connor warned that giving infants too little water when they are ill may lead to dehydration.

By Harold M. Schmeck Jr.

New York Times Service

IN the classic experiments of the Russian physiologist Ivan Pavlov, dogs salivated when a bell rang because they had been trained so that their brains associated the sound with the presence of food.

Now, American scientists have evoked a similar conditioned reflex to show that the brain can exercise direct control over cells of the immune defense system, the body's main bulwark against disease.

Other recent experiments in the United States and abroad have shown that the two hemispheres of the brain influence the immune defenses in different ways and that some brain chemicals have specific effects on immune cells.

It has long been known that the body's two most important windows on the outside world are the brain and immune defense system. Everything we hear, feel, see or imagine comes through the brain.

And almost every virus, microbe or other foreign particle that invades the body triggers some kind of immune response. But the specific effects these two master systems exert on each other have been relatively little explored, partly because the interactions are so complex.

Some ingeniously designed research is now beginning to reveal details of the brain's effects on the immune defenses. The findings have raised hopes that eventually the research may lead to better treatments for disorders in which the immunological defense system is deficient or active in some abnormal way.

One series of experiments has shown that the activity of certain immune defense cells called natural killer cells can be greatly enhanced by the brain's trained response to a totally extraneous stimulus from the outside world — a strong odor. The killer cells are part of the body's surveillance system that protects against invasion and probably against cancer.

THE research was designed by Novera Herbert Spector of the National Institute of Neurological and Communicative Disorders and Stroke, a unit of the National Institutes of Health. The experiments were done mainly at the University of Alabama medical school in Birmingham by Brent Solvason, Vital Ghanta and Raymond Hirshito.

Mice were exposed for three hours at a time to the odor of camphor. The scientists showed that exposure to this odor, by itself, had no detectable effect on the immune system.

But in the experiments, some of the mice were also given injections of a synthetic chemical called poly I:C (for polyinosinic-polycytidylic acid), which is known to enhance the activity of natural killer cells.

The exposures were repeated nine times in a strategy similar to that of the Pavlovian conditioning in which dogs were given food every time a bell rang. In each session of the immunity experiments, the mice were exposed to the odor and given injections of the chemical.

Then, in the 10th session, the mice were exposed only to the odor of camphor. They received no injections at all. Nevertheless, every mouse showed a large increase in natural killer cell activity.

THE effect, Spector said, was comparable to that of Pavlov's experiments in which animals could be made to salivate simply at the ringing of a bell. In the new case, the animals' brains evidently activated the immune defense without waiting for the poly I:C, just as the dogs had begun to salivate in the Pavlovian experiments without waiting for the food to appear.

In the new experiments, several different control groups of mice were given treatments that were similar but not identical to the injections and exposure to odor that were the crux of the research. This was done to make sure that the effect was really what it seemed to be and was not a result of some unforeseen aspect of the experiments. For example, some animals were exposed to the odor of camphor and given the injections in each of nine sessions. Then, in the 10th session, they were not exposed to the odor at all, but were given injections of harmless salt water.

When the two groups were compared, the scientists found that the animals in the experimental group — those given only the exposure to odor of camphor in the 10th session — had natural killer cell activity three times as great as the animals in the "control" group that lacked the exposure to the odor in the final session.

This threefold difference was strongly significant, Spector said. Furthermore, the animals that had been "conditioned" to the odor had 39 times as much activity of natural killer cells as another control group that was exposed to the odor of camphor and given injections of salt solution in each of 10 sessions.

The research was reported in December at the National Institutes of Health in Bethesda, Maryland, at the First International Workshop on Neuroimmunomodulation, a word coined by Dr. Spector to embrace studies of the links between the brain and the immune defense system.

right-handers to suffer from disorders of the immune system.

Another report at the workshop demonstrated that the two hemispheres of the brain have different effects on the immune defenses, a circumstance that had been suspected since scientists such as the late Norman Geschwind of Harvard University reported that left-handed people were more likely than

strong dominance of one brain hemisphere over the other. Nevertheless, when a large portion of the animal's left hemisphere was removed, the number and activity of certain immune defense cells called T cells was reduced.

When comparable surgery was done on the right hemisphere instead, no difference in T cell numbers was found, but the activity of T cells appeared to be increased, Renoux reported at the meeting.

THESE findings offer specific clues to a generality that has been obvious to scientists for a long time: That the brain is not only the organ that controls behavior, but is ultimately the monitor and governor of every aspect of body function and chemistry. For example, the brain and nervous system influence the digestive system and orchestrate the complex chemistry of the endocrine glands. In turn, the functioning of these vital systems can have profound effects on be-

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Herald Tribune

Published With The New York Times and The Washington Post

Arms Talks Are On Again

Secretary of State George Shultz went to Geneva to reopen arms control negotiations with the Soviet Union. Late Tuesday he fairly claimed "success." After 14 hours of talks with the Soviet foreign minister, Andrei Gromyko, the two announced that their countries would soon start talking about space and nuclear arms (strategic and intermediate-range) with the ambitious aim of limiting and reducing their arsenals and eventually of eliminating them. So after a frosty 13-month interlude brought on by Moscow's boycott of the START and INF talks, the United States and the Soviet Union will be back at a table.

Each side, it appears, is giving up something to get there. Moscow dropped its rigid and noisy insistence — the Gorbachev line — that the "star wars" program be terminated as the first order of arms control business. The Reagan administration seems to have backed off its earlier position, asserted strongly in the days preceding the Geneva meeting, that it would not even consider submitting "star wars" to discussion with Moscow.

The upshot is that space arms will for the first time be included in a negotiation. The discussion of America's Strategic Defense Initiative, of special concern to Moscow, will allow the United States to press its concerns about what Mr. Shultz called "the erosion of the ABM treaty" — an evident reference to

indications of Soviet cheating on that earlier accord. Along with space arms, there will also be talks on strategic and intermediate-range missiles, the familiar categories on which state-made had already been achieved. This "complex of questions" in the Geneva communiqué's phrase, will be taken up by Soviet and U.S. delegations divided into three groups.

There has been no movement in East-West arms control since the Soviet's invasion of Afghanistan in 1979. The talks and the production lines, however, have not been similarly inactive. Is there a place now for cautious hope that things are a bit different? Mr. Reagan is resuming negotiations not just because of "peace" pressures, some perhaps self-generated, but because he feels his rearmament program has evened up the bargaining odds. The Soviets appear to have deep anxieties about America's tremendous technological thrust and thus a further incentive to deal.

A formidable backlog of disagreements and difficulties lies in the way of substantive progress. Only the "objectives," not the all-important details of Mr. Reagan's and the Kremlin's negotiating strategies, were pursued at Geneva. Still, it is good to have the two countries engaging again in what Secretary Shultz called "the necessary give and take," and agreeing finally to address the serious issues.

— THE WASHINGTON POST.

Baker to the Fire Station

The Treasury Department can only be strengthened by the switch of jobs between it and the White House. In James A. Baker III it gets an extremely able administrator capable of imposing a consistency and purpose that Treasury policy has not often shown in the past four years. But Mr. Baker will be working in an administration that regards the matter of whether it really wants an economic policy, or needs one, as an open question.

Meanwhile, the imbalances in the American economy continue to grow. The most obvious of them is the federal budget deficit, but the more immediately dangerous is the deficit in international payments. That one leaves the United States vulnerable to sudden changes of mind on the part of foreign investors who do not necessarily have much concern for stability in America. Working at the Treasury in the months ahead is going to be like doing duty in a firehouse. As long as inflation stays relatively low and business keeps expanding, there will not be much to do beyond the usual routine — polishing the fire engines' brass, in effect — because the president does not see the need to do much. But if inflation starts to rise or the economy to slide, the bells will ring at the Treasury and the secretary will have to move very fast in highly technical operations that, to Mr. Baker, are not familiar.

He will need, first of all, to recruit a stronger

corps of specialists than the Treasury now possesses. The Treasury has not been well staffed in recent years. The erosion in the structure of senior civil servants had been going on for some years before this administration came to office. In the past four years there have been visible gaps at the political level as well, particularly in the crucial areas of monetary affairs and international finance. If the dollar's very high exchange rate should suddenly drop, the strength of the performance in those offices would make a great difference to the administration and the record that it will leave in American politics.

Beyond the ability to respond with technical skill to an emergency, the next secretary of the Treasury will need to think carefully about the administration's machinery for making economic decisions. That machinery is not in good working order now. One of the principal jobs, the chairmanship of the economic advisers, is vacant. The Office of Management and Budget has only a limited role. Above all, there is the growing atmosphere of indifference to all the money troubles. The view at the White House is that those carping economists, with their dire predictions, are wrong once again and that things are going along very nicely. So they are, for the moment. But if that should change, it might change very quickly.

— THE WASHINGTON POST.

Other Opinion

A 'Happy Ending' in Geneva

When diplomats get together to talk about talks, their objective is to establish a framework for substantive negotiations. Secretary of State George Shultz and Soviet Foreign Minister Andrei Gromyko achieved that precise, limited and highly important objective during their two days of discussions in Geneva. We welcome the Geneva accord as the "important beginning" described by Mr. Shultz. The American and Soviet governments, despite their ideological differences, have no higher obligation to themselves or the world than to bring their nuclear rivalry under control.

— The Baltimore Sun.

The Geneva conference undeniably had a happy ending. It should not be forgotten that Mr. Shultz came to Geneva without expecting much to result. But the political will to reach an agreement was there. The Soviets have softened their position a great deal in the last few weeks, without obtaining the same degree of concessions from Washington.

— La Libre Belgique (Brussels).

The public, awash in television hype, must desperately need a primer to the almost mystical focus on the Shultz-Gromyko encounter. Before the Reagan era, such a meeting in Geneva would have been routine until boredom. Today it has the air of a Second Coming. Wars, even cold wars fought by proxy with big defense budgets, are essentially political struggles; and to win them you must gain and hold the political high ground. Here the Reagan administration has seriously defaulted. The sterility of the administration's record in

nuclear arms negotiation, exacerbated by Soviet propaganda and bluster, has steadily eroded the unity and patience of America's European allies. I think it probable that Ronald Reagan, whose judgment is often superior to his advice, has at last sensed this.

Soberly viewed, the Shultz-Gromyko talks may be merely the latest in nuclear-age blarney and circles, bringing arms control no nearer. Yet if they convincingly satisfy the craving on both Atlantic shores for reassurance, they may do more to strengthen the hand of the West than a dozen MXs or B-1s.

— Syndicated columnist Edwin M. Yoder Jr.

New Accountability in Nigeria

This was the first Christmas in Nigeria's history, wrote a Lagos columnist, "when so many representatives of an entire generation of powerful and influential men will be singing their carols in jail." Therein lies the main achievement of the year of military rule that began with the coup of Dec. 31, 1983.

The idea of accountability has been reborn. A spectacularly corrupt regime was overthrown. Also overthrown was the "received law" — to quote the columnist in the Lagos Guardian again — that if you belonged to the right class in society "your crimes may be visited on your property and your bank account but never on your person."

If the incarceration of hundreds of rich politicians has convinced a generation that it is a mistake to salt away millions from public funds, then General Mohammed Buhari has undoubtedly done some service to his state.

— The Times (London).

FROM OUR JAN. 10 PAGES, 75 AND 50 YEARS AGO

1910: Change in China Is Discussed

NEW YORK — China's awakening, the participation of her people in government and matters connected with the advance of the Far East engaged the attention of the American Economic Association at its session here [on Dec. 31]. Mr. T. L. Chao, of the Harvard Law School, read a paper on "The Old Regime in China," in which he reviewed periods of history and explained the attitude of the inhabitants to their rulers. "Government and Public Opinion in China" was read by Mr. Chang Lou Chi, of the University of Wisconsin. "The press in the leading cities of China," he said, "is coming to have the same type of interest as it has in Western cities. The newspapers are being edited by men of liberal views. There are, moreover, several for women."

1935: Iraq Seeks Censure of Persia

GENEVA — Oil will stand behind the scenes in the Council of the League of Nations which opens here [on Jan. 11]. Iraq has invoked the League Covenant against Persia, which involves the frontier dispute involving Abadan, a shipping port on the Shatt-al-Arab River for the Anglo-Persian Oil Company. Foreign Minister Kazemi of Persia has demanded the revision of the present Iraqi-Persian border. Basing itself upon the 1913-14 protocols between Persia and the old British Empire, Iraq, according to M. Kazemi, maintains that the Persian-Iraqi frontier is on the Persian bank, instead of in the middle of the Shatt-al-Arab River. He will urge, he said, doing away with a treaty which gives Iraq jurisdiction over the waters of the Persian port of Abadan.

'The Era of Armaments Has Ended ...'

By Chalmers M. Roberts

WASHINGTON — One day in March 1945, Senator Arthur Vandenberg of Michigan sat down beside the desk of President Franklin D. Roosevelt in the Oval Office and noticed on FDR's desk a copy of a speech with a heavy line under these words: "If World War III unhappily arrives, it will open new laboratories of death too horrible to contemplate."

Within a month, FDR was dead, and in another four months the atomic bomb was dropped on Hiroshima. Ever since, Americans of conscience have wrestled with the problems it posed.

Early on, the issue became bipolar, as the Soviet Union joined the nuclear club. By now the weaponry has so increased in force, numbers and accuracy that human life in the Northern Hemisphere, if not on the entire globe, could be destroyed in a nuclear exchange.

Having stood in the rubble of Hiroshima and Nagasaki three months after their destruction and having written about this subject for more than 30 years, I believe some points merit emphasis today as America and the Soviet Union again discuss what to do about nuclear weapons.

The United States and the U.S.S.R. are like "two scorpions in a bottle, each capable of killing the other, but only at the risk of his own life," as J. Robert Oppenheimer once put it.

To get out of that bottle, President Kennedy said, "we must re-examine our own attitude as individuals and as a nation."

He meant that the problem was political: that the scientific arrangements in any agreement to curb nuclear weaponry must rest on a political base acceptable to both superpowers. All these decades, the scientists have raced ahead of the political leaders and their diplomatic emissaries.

We all know that American and Russian attitudes toward each other have been permeated with fear and hatred. Perhaps most Americans agree with President Reagan's characterization of the Soviet Union as "the focus of evil in the modern world," a country whose leaders "reserve unto themselves the right to commit crimes to life, to death."

At times, as in the numerous crises over Berlin and the 1962 Cuban missile crisis, the superpowers have seemed to be moving inexorably to the brink. It was Soviet Premier Nikita Khrushchev

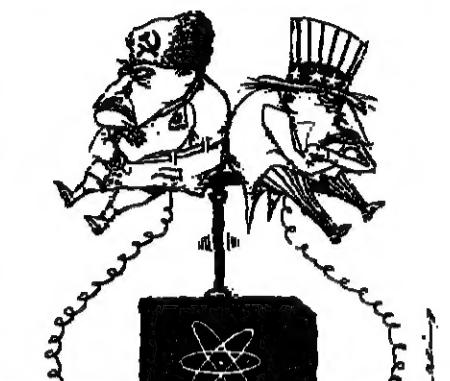
who remarked, after Cuba, that "there was a smell of burning in the air."

Mr. Khrushchev drew an important lesson from Cuba. In the following year the Soviet Communist Party adopted his new formulation that "the atomic bomb does not adhere to the class principle" (i.e., it will not destroy just the capitalists); "it destroys everybody within the range of its devastating force" (us Communists, too). Both sides now have long recognized that.

Andrei Gromyko, the veteran Soviet foreign minister who met Secretary of State George Shultz this week in Geneva, has noted: "The systems of the control and direction of arms are becoming increasingly autonomous ... from the people who create them ... The government must do everything possible to be able to determine the development of events and not to find themselves in the role of captives of events."

Despite all the distrust, then, there exists a rational basis — self-preservation — for the superpowers to negotiate ways of lessening the chances of nuclear war. Now, in Geneva, we have conducted a new exploratory round.

We have been there before, beginning in 1946, when Bernard Baruch introduced the American



By Cummings in the Washington Free Press. Distributed by Cartoons & Writers Syndicate.

plan for an international atomic energy agency with the somber Biblical words, "We are come to make a choice between the quick and the dead."

That moment, however, was not "ripe," as the diplomats say. Nor has it been ripe on subsequent occasions when one side or the other felt it was being locked into a dangerous inferiority. The two strategic arms limitation agreements, SALT-I and -II, came at moments when the superpowers felt they were at rough parity.

William C. Foster, a wise American arms control negotiator, described the circumstances necessary for success as that moment when "the technological stars and planets" are "in favorable conjunction, so to speak."

For three years President Reagan contended that America was in a state of inferiority, suffering from a dangerous "window of vulnerability." The Shultz-Gromyko talks were possible only because Mr. Reagan in early 1984 began publicly to accept the notion of rough parity, although it is apparent that there are administration foot-draggers, notably in the Pentagon.

Richard Nixon and Henry Kissinger showed that agreement (SALT-I) was possible at a time of rough parity even if there were bitter political differences. Today, despite strong differences over Poland, Afghanistan, Central America, human rights and numerous other issues, nuclear parity has been evident enough to make the moment "ripe" for the Geneva meeting.

And "the technological stars and planets" are in conjunction: Mr. Reagan's "star wars" concept offers a bargaining chip, something to trade for a major lessening in the menace of the Kremlin's overwhelming number of land-based intercontinental nuclear missiles.

It is easy to be a pessimist, to feel that human history is so full of misperceptions and miscalculations that there is little reason to expect that Americans and Russians will not ultimately stumble into a holocaust.

Still, how can we do other than hope that, as President Eisenhower put it, the superpowers have "sense enough to meet at the conference table with the understanding that the era of armaments has ended and the human race must conform its actions to this truth or die?"

The writer is a retired chief diplomatic correspondent for The Washington Post.

Middle East: Look for a Crossroads Not Far Ahead

By Flora Lewis

PARIS — The Middle East is approaching another crossroads. There have been many important changes in nearly two generations since the Jewish state was founded. But the timing never coincided in a way that could bring Israelis and Arabs closer to a settlement. Whenever one side seemed a willingness to move, the other wasn't ready. Now a small chance for approaching common ground appears on the horizon.

Again, timing is everything. Egypt and Jordan are in a hurry. The Egyptian establishment, both supporters and critics of President Hosni Mubarak, is edgy. The surface is calm, but they note telltale signs of unrest in their country, which is normally placid but is capable of explosions. There is a sense of lack of direction, of impatience seeking a new goal.

They don't know what to do, and they look to Washington for inspiration. Many Arabs have swallowed the axiom that the United States cannot take any foreign policy initiative before elections. So they figure that something must happen in 1985, or soon after, or they will be left to despair another four years.

"Even a gimmick," one senior official pleads, "but something soon, something to break the feeling that the peace process is stagnant."

Jordan's King Hussein is pressing because he realizes better than most that Palestinians in the West Bank and Gaza are not frozen in time.

He fears that Israeli settlement in the areas is becoming an irreversible force to annexation, which would confront both Israelis and Palestinians with new catastrophes. He has moved with unaccustomed audacity in restoring relations with Egypt and hosting the Palestine National Council, which aggravates tensions with Syria and costs him support from Saudi Arabia. He wants U.S. help to close Arab cracks behind him.

There are signs that Israeli policy is moderating more than might have been expected under a fragile coalition government. But before Jerusalem

can consider the divisive question of how to launch negotiations, it must resolve two emergencies. They are an important part of Menachem Begin's legacy, a painful burden that has weakened the country more than it realizes despite its overwhelming military power.

One is to reverse the continued degradation of the shattered economy. The other is to extricate Israel from the debacle in Lebanon.

It is surprising, given the acerbity of Israeli politics, that Prime Minister Shimon Peres does not justify the hard measures he must take by pointing out that he inherited the mess. Politicians explain that the need for coalition prevents distributing blame.

Israel needs time to digest the shock of its condition and face the tough effort of turning it around. In a way, the depth of its trouble is a help.

Middle East: Italians Busy Out in Front

By Enrico Jacchia

ROME — For the first six months of 1985 Italy holds the presidency of the European Community's Council of Ministers. The Rome government seems determined to try to rally European support for an initiative in the Arab-Israeli conflict.

Prime Minister Bettino Craxi has had a series of meetings with Arab leaders in the last two months. He has visited Riyadh, Cairo, Algiers and Tunis. Early last month he had a long meeting with Yasser Arafat at PLO headquarters near Tunis. That visit was criticized by some members of the Italian coalition government and caused resentment in Israel.

Mr. Craxi was accompanied by Foreign Minister Giulio Andreotti. The two men came home apparently convinced that Mr. Arafat had made a firm break with the more extremist members of his movement and might be ready to abandon armed struggle

with the Israelis and agree to formal recognition of the state of Israel as a condition for the start of Israeli-Palestinian negotiations.

An Arab League meeting expected soon in Riyadh would be an occasion to count the Arab states that would back Mr. Arafat if he took the plunge. Mr. Craxi's encouragement has insisted that this rare opportunity ought not to be wasted.

Mr. Craxi has had undisputed success in improving Italy's economic conditions and curbing the inflation rate. But he is aware of the limited political and diplomatic resources he commands in any foreign policy initiative.

Still, an unexpected visit by Mr. Andreotti to King Hussein in Amman last weekend has indicated that supporters of the PLO-Jordan formula want to move quickly.

It is no secret that most West European governments are uncomfortable with the situation in the Middle East. But the first formal statement of EC policy on the Arab-Israeli conflict, the so-called declaration of Venice in 1980, was resented in Israel, which regarded it as pro-Arab. At the recent summit in Dublin, Italy's EC partners refused to give the Italians the mandate they sought for another Middle East initiative.

Mr. Craxi has gone ahead on his own, apparently believing that if Mr. Arafat can bring himself to make a concrete gesture toward Israel, several key West European governments would change their stance.

The goal of an EC-supported initiative would be a confederation between Jordan and a Palestinian state on the West Bank. If Mr. Craxi has his way, Washington could find itself with a difficult diplomatic choice to make in the Middle East.

International Herald Tribune.

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International Herald Tribune.

The Press: Standards Too High?

By Philip Geyelin

PARIS — While the libel cases brought in New York by General William Westmoreland and Ariel Sharon are heavy with legal implications, they are equally heavy in their potential effect on relations between the public, the press and the makers of American foreign policy.

Such is the contrariness of the conservatives, fallen-away Democrats and others of right-wing persuasion in Ronald Reagan's legions that no matter who wins — the generals, CBS or Time magazine in whichever case — the press will take a beating. Libel denied will be proof positive that the "media" are destructively all-powerful. Libel damages awarded will only go to show that the news business is recklessly irresponsible in its reach for attention-getting sensations that enrich careers and bottom lines.

Public trust will be shaken once again. This will be largely the doing of ideologues in prominent places who would rather reinforce their misperceptions of how things work in the real world than get on with the business of making do with life that is unfair and with a world that is sometimes kindly and often cruel.

As documentary evidence, I offer an excerpt in a recent issue of Public Opinion magazine from a book to be published in the spring by Michael Ledeen, senior fellow at Georgetown University's Center for Strategic and International Studies. The book is titled, "The 'Great New World,' in tune with Mr. Ledeen's views on public opinion, the press and foreign policy. He worked briefly at the State Department for Alexander Haig. His intellectual connections include Henry Kissinger and Jean Kirkpatrick. His jaundiced view of a free-wheeling press is widely shared.

He starts with the proposition that "most top officials" begin the morning with compilations of press clippings; this conditions their day's work and has "more influence on politics than even the most secret intelligence." That is cause enough for anxiety, coming from a former insider. But you have to accept it if you are to entertain the rest of his reasons why the performance of the press has a "devastating effect on our foreign policy."

This is so, the argument proceeds, because the press is afflicted by "ignorance of the world," "abstract moralism that permeates our popular culture" and, even worse, ambition. It directs its efforts at grabbing the attention of readers and viewers "not much interested in foreign news except as it affects them directly and dramatically." The result is a relentless search overseas for "an American angle," preferably scandalous.

So far, this is an arguable theory. But when it is applied to coverage of foreign policy, the press becomes no better in Mr. Ledeen's eyes than the "San Francisco Democrats" as seen by Jean Kirkpatrick: "They always blame America first."

Here is the heart of Mr. Ledeen's grievance and to the relevance of the libel suits. The press is "super critical of our leaders, while foreign critics, including our worst enemies, often get surprisingly gentle treatment, the lament. "On the rare occasion that investigative journalism turns on other countries, the targets are typically friends and allies." Israel is cited as an example.

The stunning coincidence of these cases coming together in the same courthouse on Foley Square becomes powerful support for the argument that "the elite media have developed a double standard for reporting the news," as Mr. Ledeen puts it.

He acknowledges that there are "operational problems" for the American press in closed, totalitarian societies, but he does not allow these problems to get in the way of his conclusions: "The United States and its allies are held up against standards that are not applied to the Soviet Union and its satellites and proxies. Relatively minor human rights transgressions in friendly countries ... are given far more attention and subjected to more intense criticism than are far graver examples of countries hostile to us."

Strictly speaking, Mr. Ledeen is right. Underlying the legal question in the Westmoreland trial is the proposition that American leaders are and ought to be held to a stricter standard of truthfulness and responsiveness to the public than, say, Soviet leaders will be. Because Americans prize Israel's democracy and help defend it by furnishing it with arms and economic aid, should they not be entitled to hold Israel to a higher accountability for what it does with those arms than would be applied, say, to Syria or Libya, with whom America has no such relationship?

Holding self and allies to different, higher standards, in short, is part of what these libel suits, whatever their outcome, are all about. As a general principle, I don't understand what Mr. Ledeen thinks is wrong with that.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Eight Centuries Later

In response to "Terrorism: International Lynch Law Isn't the Answer" (Dec. 18) by George Ball.

Mr. Ball mentions the 12th century Assassins. It is interesting to recall that the Assassins, whose name came from the Arabic for "hashish user," were fanatics who received, along with the promise of martyrdom, a supply of hashish before they attacked their victims. The erratic actions and the victims' descriptions of the terrorists on the hijacked Kuwaiti airliner in Tehran last month suggest that the hijackers may have been high on hashish or some other drug.

ALEXANDER S. REINHARDT, Liston.

Giving the Gold Away?

Regarding "Gold Upturn Not Foreseen in Near Term" (Jan. 1).

What is the meaning of the statement that "the price of gold has dropped more than 150 percent in less than five years"? If it had dropped by 100 percent, it would be zero. Are we then to understand that gold is now fetching a negative price?

There are precedents in the press for this imprecision and rather absurd formation, e.g., a "devaluation of 400 percent." However, I have come to expect numericals from the International Herald Tribune.

BASIL GONDICAS, Boulogne-Billancourt, France.

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By **EDWARD ROHRBACH**

Fundamental factors, however, are beginning to improve, he said, adding that "a more positive attitude could be justified in

(Continued on Page 13, Col. 7)

Pirated Rec Big Business

"Bonds have had a nice move," he said. "It's time for stocks to get going."

Few people, however, expect stocks to take off soon.

(Continued on Page 9, Col. 1)

organization — said that recording artists in Portugal were losing millions of escudos a year through the

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Interest Rates

Source: Reuters.

3-month Treasury Bills	7.72	7.74		
6-month Treasury Bills	7.95	7.97		
CD's 30-59 days	7.70	7.88		
CD's 60-89 days	7.75	8.09		
			Discount Rate	5
			Call Money	4 1/16
			30-day interbank	6 1/16

France				
			Luxembourg	270.60
			Paris (12.5 kilo)	300.65 300.64 - 5.49
Intervention Rate	10 1/2	10 1/2	Zurich	297.75 301.50 + 0.75
Call Money	10 1/2	10 1/2	London	298.35 300.50 - 1.50
One-month interbank	10 1/2	10 1/2	New York	— 304.20 + 7.50
3-month interbank	10 1/2	10 1/2	Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong	
	10 1/2	10 1/2		

Location	200.65	200.64	- 5.49
Paris (12.5 k/a)	297.75	301.50	+ 0.75
Zurich	298.35	300.50	+ 1.50
London	—	304.20	+ 7.50
New York			

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong

In Tokyo, where trading ends before it begins in Europe, the dollar rose to 255 yen from 253.725 Tuesday.

closes, included: 3.1672 Deutsche marks, up from 3.1385; 2.6455 Swiss francs, up from 2.639, and 9.6975 French francs, up from 9.62.

NYSE Most Actives

Vol.	High	Low	Last	Change
AMT	17.00	16.75	16.87	+0.12
AT&T	12.00	11.87	11.94	+0.07
IBM	11.00	10.87	10.94	+0.07
GE	10.00	9.87	9.94	+0.07
UNION	9.00	8.87	8.94	+0.07
GOV	8.00	7.87	7.94	+0.07
DIS	7.00	6.87	6.94	+0.07
INTL	6.00	5.87	5.94	+0.07
WAL	5.00	4.87	4.94	+0.07
AMC	4.00	3.87	3.94	+0.07
AMN	3.00	2.87	2.94	+0.07
AMT	2.00	1.87	1.94	+0.07
AMT	1.00	0.87	0.94	+0.07
AMT	0.50	0.47	0.49	+0.02
AMT	0.25	0.23	0.24	+0.01
AMT	0.10	0.09	0.10	+0.01
AMT	0.05	0.04	0.05	+0.01
AMT	0.02	0.01	0.02	+0.01
AMT	0.01	0.00	0.01	+0.01

Dow Jones Averages

Open	High	Low	Last	Change
Index	1193.75	1192.47	1193.24	+1.49
Trans	257.01	256.75	256.88	+0.13
Comm	481.71	481.45	481.58	+0.17

NYSE Index

Commodity	High	Low	Close	Change
Crude Oil	24.50	24.30	24.40	+0.10
Gold	340.00	339.00	339.50	-0.50
Silver	16.00	15.80	15.90	-0.10
Platinum	1000.00	990.00	995.00	-5.00
Uranium	15.00	14.80	14.90	-0.10
Aluminum	1.50	1.48	1.49	-0.01
Copper	0.35	0.34	0.34	-0.01
Nickel	0.15	0.14	0.14	-0.01
Zinc	0.12	0.11	0.11	-0.01
Lead	0.10	0.09	0.09	-0.01
Steel	0.08	0.07	0.07	-0.01
Iron	0.05	0.04	0.04	-0.01
Coal	0.03	0.02	0.02	-0.01
Wheat	0.02	0.01	0.01	-0.01
Corn	0.01	0.00	0.00	-0.01
Soybeans	0.01	0.00	0.00	-0.01
Beans	0.01	0.00	0.00	-0.01
Wheat	0.01	0.00	0.00	-0.01
Corn	0.01	0.00	0.00	-0.01
Soybeans	0.01	0.00	0.00	-0.01
Beans	0.01	0.00	0.00	-0.01

AMEX Diaries

Vol.	High	Low	Last	Change
AMT	17.00	16.75	16.87	+0.12
AT&T	12.00	11.87	11.94	+0.07
IBM	11.00	10.87	10.94	+0.07
GE	10.00	9.87	9.94	+0.07
UNION	9.00	8.87	8.94	+0.07
GOV	8.00	7.87	7.94	+0.07
DIS	7.00	6.87	6.94	+0.07
INTL	6.00	5.87	5.94	+0.07
WAL	5.00	4.87	4.94	+0.07
AMC	4.00	3.87	3.94	+0.07
AMN	3.00	2.87	2.94	+0.07
AMT	2.00	1.87	1.94	+0.07
AMT	1.00	0.87	0.94	+0.07
AMT	0.50	0.47	0.49	+0.02
AMT	0.25	0.23	0.24	+0.01
AMT	0.10	0.09	0.10	+0.01
AMT	0.05	0.04	0.05	+0.01
AMT	0.02	0.01	0.02	+0.01
AMT	0.01	0.00	0.01	+0.01

NASDAQ Index

Week	Year	Open	High	Low	Last	Change
Composite	1984	245.00	246.00	244.00	245.50	+0.50
Industries	1984	245.00	246.00	244.00	245.50	+0.50
Finance	1984	245.00	246.00	244.00	245.50	+0.50
Utilities	1984	245.00	246.00	244.00	245.50	+0.50
Transport	1984	245.00	246.00	244.00	245.50	+0.50
Real Estate	1984	245.00	246.00	244.00	245.50	+0.50
Health Care	1984	245.00	246.00	244.00	245.50	+0.50
Technology	1984	245.00	246.00	244.00	245.50	+0.50
Consumer Goods	1984	245.00	246.00	244.00	245.50	+0.50
Energy	1984	245.00	246.00	244.00	245.50	+0.50
Telecommunications	1984	245.00	246.00	244.00	245.50	+0.50
Biotechnology	1984	245.00	246.00	244.00	245.50	+0.50
Environmental	1984	245.00	246.00	244.00	245.50	+0.50
Defense	1984	245.00	246.00	244.00	245.50	+0.50
Government	1984	245.00	246.00	244.00	245.50	+0.50
International	1984	245.00	246.00	244.00	245.50	+0.50
Emerging Markets	1984	245.00	246.00	244.00	245.50	+0.50
Commodities	1984	245.00	246.00	244.00	245.50	+0.50
Art Collection	1984	245.00	246.00	244.00	245.50	+0.50
Real Estate	1984	245.00	246.00	244.00	245.50	+0.50
Health Care	1984	245.00	246.00	244.00	245.50	+0.50
Technology	1984	245.00	246.00	244.00	245.50	+0.50
Consumer Goods	1984	245.00	246.00	244.00	245.50	+0.50
Energy	1984	245.00	246.00	244.00	245.50	+0.50
Telecommunications	1984	245.00	246.00	244.00	245.50	+0.50
Biotechnology	1984	245.00	246.00	244.00	245.50	+0.50
Environmental	1984	245.00	246.00	244.00	245.50	+0.50
Defense	1984	245.00	246.00	244.00	245.50	+0.50
Government	1984	245.00	246.00	244.00	245.50	+0.50
International	1984	245.00	246.00	244.00	245.50	+0.50
Emerging Markets	1984	245.00	246.00	244.00	245.50	+0.50
Commodities	1984	245.00	246.00	244.00	245.50	+0.50
Art Collection	1984	245.00	246.00	244.00	245.50	+0.50

AMEX Most Actives

Vol.	High	Low	Last	Change
AMT	17.00	16.75	16.87	+0.12
AT&T	12.00	11.87	11.94	+0.07
IBM	11.00	10.87	10.94	+0.07
GE	10.00	9.87	9.94	+0.07
UNION	9.00	8.87	8.94	+0.07
GOV	8.00	7.87	7.94	+0.07
DIS	7.00	6.87	6.94	+0.07
INTL	6.00	5.87	5.94	+0.07
WAL	5.00	4.87	4.94	+0.07
AMC	4.00	3.87	3.94	+0.07
AMN	3.00	2.87	2.94	+0.07
AMT	2.00	1.87	1.94	+0.07
AMT	1.00	0.87	0.94	+0.07
AMT	0.50	0.47	0.49	+0.02
AMT	0.25	0.23	0.24	+0.01
AMT	0.10	0.09	0.10	+0.01
AMT	0.05	0.04	0.05	+0.01
AMT	0.02	0.01	0.02	+0.01
AMT	0.01	0.00	0.01	+0.01

AMEX Stock Index

Week	Year	Open	High	Low	Last	Change
Composite	1984	245.00	246.00	244.00	245.50	+0.50
Industries	1984	245.00	246.00	244.00	245.50	+0.50
Finance	1984	245.00	246.00	244.00	245.50	+0.50
Utilities	1984	245.00	246.00	244.00	245.50	+0.50
Transport	1984	245.00	246.00	244.00	245.50	+0.50
Real Estate	1984	245.00	246.00	244.00	245.50	+0.50
Health Care	1984	245.00	246.00	244.00	245.50	+0.50
Technology	1984	245.00	246.00	244.00	245.50	+0.50
Consumer Goods	1984	245.00	246.00	244.00	245.50	+0.50
Energy	1984	245.00	246.00	244.00	245.50	+0.50
Telecommunications	1984	245.00	246.00	244.00	245.50	+0.50
Biotechnology	1984	245.00	246.00	244.00	245.50	+0.50
Environmental	1984	245.00	246.00	244.00	245.50	+0.50
Defense	1984	245.00	246.00	244.00	245.50	+0.50
Government	1984	245.00	246.00	244.00	245.50	+0.50
International	1984	245.00	246.00	244.00	245.50	+0.50
Emerging Markets	1984	245.00	246.00	244.00	245.50	+0.50
Commodities	1984	245.00	246.00	244.00	245.50	+0.50
Art Collection	1984	245.00	246.00	244.00	245.50	+0.50
Real Estate	1984	245.00	246.00	244.00	245.50	+0.50
Health Care	1984	245.00	246.00	244.00	245.50	+0.50
Technology	1984	245.00	246.00	244.00	245.50	+0.50
Consumer Goods	1984	245.00	246.00	244.00	245.50	+0.50
Energy	1984	245.00	246.00	244.00	245.50	+0.50
Telecommunications	1984	245.00	246.00	244.00	245.50	+0.50
Biotechnology	1984	245.00	246.00	244.00	245.50	+0.50
Environmental	1984	245.00	246.00	244.00	245.50	+0.50
Defense	1984	245.00	246.00	244.00	245.50	+0.50
Government	1984	245.00	246.00	244.00	245.50	+0.50
International	1984	245.00	246.00	244.00	245.50	+0.50
Emerging Markets	1984	245.00	246.00	244.00	245.50	+0.50
Commodities	1984	245.00	246.00	244.00	245.50	+0.50
Art Collection	1984	245.00	246.00	244.00	245.50	+0.50

NYSE Diaries

Vol.	High	Low	Last	Change
AMT	17.00	16.75	16.87	+0.12
AT&T	12.00	11.87	11.94	+0.07
IBM	11.00	10.87	10.94	+0.07
GE	10.00	9.87	9.94	+0.07
UNION	9.00	8.87	8.94	+0.07
GOV	8.00	7.87	7.94	+0.07
DIS	7.00	6.87	6.94	+0.07
INTL	6.00	5.87	5.94	+0.07
WAL	5.00	4.87	4.94	+0.07
AMC	4.00	3.87	3.94	+0.07
AMN	3.00	2.87	2.94	+0.07
AMT	2.00	1.87	1.94	+0.07
AMT	1.00	0.87	0.94	+0.07
AMT	0.50	0.47	0.49	+0.02
AMT	0.25	0.23	0.24	+0.01
AMT	0.10	0.09	0.10	+0.01
AMT	0.05	0.04	0.05	+0.01
AMT	0.02	0.01	0.02	+0.01
AMT	0.01	0.00	0.01	+0.01

Rate Hopes Buoy Stock Volume

United Press International

NEW YORK — The stock market pushed higher in its best advance of the new year Wednesday as investors took encouragement from signs that interest rates might be easing once more.

The Dow Jones industrial average was up 3.38 to 1,201.98 about an hour before closing. Advancing stocks led declines by a 2-1 ratio.

Although prices in tables on these pages are from the 4 P.M. close in New York, for time reasons this article is based on the market at 3 P.M.

among the 1,961 issues crossing the New York Stock Exchange tape.

The five-hour Big Board volume amounted to about 83.1 million shares, compared with 76.4 million in the like period Tuesday.

Analysts said a combination of modest economic growth, moderate inflation and lower interest rates could help the stock market in 1985.

Before the stock market opened, the Labor Department reported the unemployment rate was 7.2 percent in December, compared with a revised 7.1 percent in November.

The federal funds rate on overnight loans of reserves between banks was 8 percent at midday, unchanged from late Tuesday.

Southwest Bank, a small St. Louis institution, announced a cut in its prime lending rate to 10 1/2 percent from 10 3/4 percent effective Thursday. The 10 1/2-percent level has been the prevailing rate in the banking industry.

U.S. Trust Co. in New York lowered its

10 Month										10 Month									
Vol.		High		Low		Last		Change		Vol.		High		Low		Last		Change	
15	25	35	45	55	65	75	85	95	105	115	125	135	145	155	165	175	185	195	205
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
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25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
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25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
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25%	15%	10%	5%	0%	-5%	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-60%	-65%	-70%	-75%
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BUSINESS ROUNDUP

P&O, Sterling Plan
A £1-Billion Merger

By Bob Hagerty
International Herald Tribune
LONDON — Peninsular & Oriental Steam Navigation Co. is preparing to merge with Sterling Guaranty Trust PLC in an exchange of shares valued at nearly £1 billion (about \$1.14 billion).

The shipping and construction concern said Wednesday that it was discussing terms with Sterling, a real estate and industrial services company that already owns 20 percent of P&O.

The terms for the long-expected combination were expected to be announced Monday.

Sir Jeffrey Sterling is chairman of both P&O and Sterling, and the combination would spare him and his top aide, Bruce MacPhail, from having to divide their time between the two.

"You will have a strong company in management terms," said David Harris, an analyst at W. Greenwell & Co.

Mr. Harris predicted that the new concern would search out acquisitions.

Analysts said the merger is likely to take the form of a share swap on the basis of one P&O share for every four to five Sterling shares.

On Wednesday, P&O shares were suspended from trading at 325 pence apiece, and Sterling at 74 pence.

Sir Jeffrey, 50, was recruited in 1983 to strengthen P&O's management in the face of a hostile takeover bid from Trafalgar House PLC.

After a government inquiry delayed the battle, Trafalgar backed away last year.

Analysts say Sir Jeffrey has put new life into P&O, a 150-year-old company.

"I intend to lead P&O from the front," he said in an early message to employees.

In his first 18 months, he has sold P&O's headquarters and two oil-trading units.

Last week, P&O agreed to sell its unprofitable ferry services between Britain and France for £12.5 million.

Sir Jeffrey also is credited with having revived Town & City Properties, a forerunner of Sterling.

Guarantee, after the British property market crash of the mid-1970s.

Because Sir Jeffrey's prestige is running high, analysts said, the merger plan should win approval from shareholders.

"The City is prepared to give Sir Jeffrey the benefit of the doubt," said Richard Hannah of Phillips & Drew.

P&O has worldwide interests in cruise and goods shipping. It also owns the Bovis construction group and smaller interests in road transport and banking.

For 1983, P&O had pretax profit of £56.6 million on sales of £1.3 billion. In the first half of 1984, pretax profit totaled £21.1 million, up 90 percent from a year earlier.

Sterling Guaranty recorded pretax profit of £16.3 million on revenue of £199 million in the year ended in March 1984 and £10.1 million in the first half of the current year.

Aside from commercial property in Britain and the Boston area, Sterling has interests in catering, exhibition centers, warehousing and guard services.

Shamrock Chief Explains Decision

The Associated Press
DALLAS — Diamond Shamrock Corp.'s chairman, William H. Bricker, has said his company's board rejected a merger with Occidental Petroleum Corp. because of unhappiness over the fate of Shamrock managers in the new company and the margin of profit for Shamrock shareholders.

In an interview Tuesday with the Dallas Times Herald, Mr. Bricker said the proposed merger initially seemed to offer great benefits to Diamond Shamrock shareholders.

He said the merger also had the blessing of top executives of both companies. But Mr. Bricker said that he changed his mind about the proposal during discussions Monday with his board.

The merger, which would have created the seventh-largest U.S. oil company, fell apart Monday afternoon, just hours after the heads of both companies announced a tentative agreement.

Mr. Bricker said the \$3-billion stock-swap plan was conceived Jan. 2 when he was talking to Armand Hammer, Occidental's chairman, about another matter.

Mr. Bricker said the Diamond Shamrock board was also concerned about the small role its managers would play in the new company.

In recent years, Mr. Hammer, 86, has ousted half a dozen Occidental officers with whom he disagreed. He was considered unlikely to ease his grip on the company.

The proposed merger was appealing to Occidental, Mr. Bricker said, because the company would receive "top-flight Diamond Shamrock management, financial flexibility and high-quality coal and petroleum assets."

Mr. Bricker said there were never plans for him to take a role in the new company. He said he had agreed to leave for \$5 million.

In Los Angeles, Occidental denied rumors it was trying to salvage the merger. "This matter is dead," a company spokesman said.

In trading Tuesday, Diamond Shamrock fell by \$1.87 1/2 a share to \$18.12 1/2. It was the Big Board's most active issue for the second straight day, with 3.7 million shares changing hands.

Occidental's stock rose by \$1 per share to \$25.

South Korea's Samsung to Sell A 256K Chip

SEOUL — Samsung Semiconductor & Telecommunications Co. said Wednesday that it has developed a 256K dynamic random-access-memory chip, which it plans to begin marketing worldwide in April.

The company said that a new plant, scheduled for completion in March 1985, would be capable of producing 60 million of the new chips a year.

A company spokesman noted that South Korea would become the third country in the world, after the United States and Japan, to produce the 256K chips.

Samsung now markets 64K dynamic RAM chips and plans to export about 300-million worth of semiconductors this year against \$80-million worth last year, the spokesman said.

He said worldwide demand for 256K chips is estimated at \$3-billion worth in 1985 against \$1 billion in 1984.

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FCA Fails to Meet Net-Worth Level

The Associated Press
LOS ANGELES — Financial Corp. of America and its chief subsidiary, American Savings & Loan Association, fell below federal net-worth requirements at the end of 1984, the company has disclosed.

But the Federal Home Loan Bank Board had agreed to take no supervisory action, FCA said Tuesday.

FCA and American Savings are required to have capital equal to 4 percent of assets, but fell below that net-worth requirement in June amid one of the worst deposit runs in U.S. banking history.

Most savings and loans are only required to maintain a 3-percent ratio, FCA, because of its financial position, is required to maintain the 4-percent ratio.

The company said Tuesday that its year-end 1984 financial results will not be released until mid-February, pending completion of an independent reassessment of its real estate portfolio and the adequacy of its loan-loss reserves.

At the end of the third quarter, however, FCA had capital of about 3.07 percent of its assets, compared to 2.92 percent in June.

FCA said it hopes to meet the 4-percent requirement by the end of 1985.

In addition, the company said that the bank board had "responded favorably" to its recovery plan for 1985, which calls for reducing assets by more than 18 percent, to \$24.5 billion, by year-end.

FCA's assets are currently about \$30 billion, compared to a peak of \$32.42 billion in the third quarter.

However, FCA's chairman, William J. Popejoy, noted, "We realize that we have set ambitious objectives which only can be met if a reasonably favorable interest rate climate prevails in 1985."

An FCA spokesman, Paul Nussbaum, said a rise in interest rates could deflate the recovery plans. Falling rates allow FCA to sell its high-yielding fixed-rate mortgage loans at a profit in the secondary market.

As part of its recovery plan, FCA said it would also attempt to halt the growth in American Savings' portfolio of troubled loans — those on which payments are overdue — and to maintain the stability of its deposit flow.

The company said it would also strive to keep general and administrative expenses about \$35 million below the 1984 level through cutbacks announced last October.

Those cuts included laying off one-fifth of the firm's 7,500 workers and reducing wages by up to 20 percent.

FCA has previously said it expects to show a loss in the fourth quarter.

Dutch Unemployment Falls

THE HAGUE — Dutch seasonally adjusted unemployment in December fell to 776,900 from 794,700 in November and was down sharply from 829,200 in December 1983, according to provisional figures released Wednesday by the Social Affairs Ministry.

The prime minister had promised President Ronald Reagan in talks last week in Los Angeles that he would foster imports as a means of reducing the ballooning U.S. trade deficit with Japan.

The sectors Mr. Nakasone selected for special attention are ones in which U.S. companies are competitive in other foreign countries but in which they say their sales are hindered by formal and informal barriers in Japan.

Mr. Nakasone proposed no specific measures at Tuesday's cabinet meeting, according to official accounts.

It was unclear whether the package would contain new steps or concentrate on reaffirming Japan's resolve to proceed with previously announced measures.

Although Japanese officials concede that barriers exist, they place the major blame for the U.S. trade deficit on what they say is the low quality and high price of U.S. products, the strong dollar and lackluster marketing by American firms.

Under Mr. Nakasone's plan, each ministry is to set up a special internal committee under its top career official.

Mr. Nakasone also told his ministers to meet with foreigners who have been appointed as advisers to a special cabinet committee on trade relations that was set up last year.

Japan's Cabinet Told to Draft New Measures to Open Market

By John Burgess
Washington Post Service
TOKYO — Prime Minister Yasuhiro Nakasone has ordered his cabinet to draft new measures to further open the Japanese market to foreign products, officials said here.

Mr. Nakasone told his cabinet Tuesday that priority should go to sales from abroad of telecommunications equipment, electronics, forestry products, pharmaceuticals and medical equipment.

He ordered the ministers to report back to him by the end of March, officials said.

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PERSONAL INVESTING

On Monday, January 14
in the International Herald Tribune:

The Tokyo stock market can bewilder even the most seasoned individual investor. Personal Investing takes a close look at how the market works and the ways the pros target the promising issues.

Gold's latest declines have revived the question of whether the metal is finally near its bottom.

Mutual fund investors with a cautious approach reaped their reward in 1984. Personal Investing lists the gainers and the losers.

Antique car buffs often find their hobby provides lucrative returns.

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Bonds Slipping From Favor in U.S.

(Continued from Page 7)
over the coming year for the average stock in the S&P's 500 was 10.5 percent.

That much of a negative spread had never shown up in the 20 years since such tabulations have been kept, he said.

Either stocks were grossly overvalued or bonds were vastly undervalued," said Mr. Bhurud. What happened, he said, was that "the markets corrected the imbalance and interest rates fell dramatically."

Long-term Treasury bonds Tuesday were yielding 11.47 percent, about 2 percentage points below their high last year.

Mr. Bhurud said both stocks and bonds are now about equally valued. He said that he would not add to short-term cash investments now because the returns are low, but would put that money to work in both stocks and bonds if those markets head lower.

Some investors figure the times are too treacherous to commit themselves one way or the other.

"We're dug into a foxhole for the time being," said Peter J. Anderson, president of IDS Advisory Group, a large pension-fund money manager based in Minneapolis.

His stock portfolio is loaded with conservative issues such as utilities, financial stocks and consumer-goods companies in the food, tobacco and drug industries.

Another bad sign for stocks, he said, is that the cash level of institutional portfolios is extremely low, indicating too much bullishness and too little reserve buying power.

Mr. Cooperman added that he does not expect much fireworks this year on the New York Stock Exchange, with most trading taking place within a range of 1,100 to 1,300 on the Dow Jones industrial

Floyd L. Smith, chief investment officer of Mutual of New York, an insurer that manages about \$3 billion in separate-account pension-fund assets, said: "We don't think either stocks

Tables include the nationwide prices up to the closing on Wall Street

(Continued from Page 8)

14 Days		1 Month		3 Months		6 Months		1 Year		2 Years		3 Years		4 Years		5 Years		Over 5 Years	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
14%	9%	14%	9%	14%	9%	14%	9%	14%	9%	14%	9%	14%	9%	14%	9%	14%	9%	14%	9%
22%	12%	22%	12%	22%	12%	22%	12%	22%	12%	22%	12%	22%	12%	22%	12%	22%	12%	22%	12%
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(Continued from Page 5)

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30%	15%	30%	15%	30%	15%	30%	15%	30%	15%	30%	15%	30%	15%	30%	15%	30%	15%	30%	15%
38%	18%	38%	18%	38%	18%	38%	18%	38%	18%	38%	18%	38%	18%	38%	18%	38%	18%	38%	18%
46%	20%	46%	20%	46%	20%	46%	20%	46%	20%	46%	20%	46%	20%	46%	20%	46%	20%	46%	20%
54%	22%	54%	22%	54%	22%	54%	22%	54%	22%	54%	22%	54%	22%	54%	22%	54%	22%	54%	22%
62%	24%	62%	24%	62%	24%	62%	24%	62%	24%	62%	24%	62%	24%	62%	24%	62%	24%	62%	24%
70%	26%	70%	26%	70%	26%	70%	26%	70%	26%	70%	26%	70%	26%	70%	26%	70%	26%	70%	26%
78%	28%	78%	28%	78%	28%	78%	28%	78%	28%	78%	28%	78%	28%	78%	28%	78%	28%	78%	28%
86%	30%	86%	30%	86%	30%	86%	30%	86%	30%	86%	30%	86%	30%	86%	30%	86%	30%	86%	30%
94%	32%	94%	32%	94%	32%	94%	32%	94%	32%	94%	32%	94%	32%	94%	32%	94%	32%	94%	32%
102%	34%	102%	34%	102%	34%	102%	34%	102%	34%	102%	34%	102%	34%	102%	34%	102%	34%	102%	34%
110%	36%	110%	36%	110%	36%	110%	36%	110%	36%	110%	36%	110%	36%	110%	36%	110%	36%	110%	36%
118%	38%	118%	38%	118%	38%	118%	38%	118%	38%	118%	38%	118%	38%	118%	38%	118%	38%	118%	38%
126%	40%	126%	40%	126%	40%	126%	40%	126%	40%	126%	40%	126%	40%	126%	40%	126%	40%	126%	40%
134%	42%	134%	42%	134%	42%	134%	42%	134%	42%	134%	42%	134%	42%	134%	42%	134%	42%	134%	42%
142%	44%	142%	44%	142%	44%	142%	44%	142%	44%	142%	44%	142%	44%	142%	44%	142%	44%	142%	44%
150%	46%	150%	46%	150%	46%	150%	46%	150%	46%	150%	46%	150%	46%	150%	46%	150%	46%	150%	46%
158%	48%	158%	48%	158%	48%	158%	48%	158%	48%	158%	48%	158%	48%	158%	48%	158%	48%	158%	48%
166%	50%	166%	50%	166%	50%	166%	50%	166%	50%	166%	50%	166%	50%	166%	50%	166%	50%	166%	50%
174%	52%	174%	52%	174%	52%	174%	52%	174%	52%	174%	52%	174%	52%	174%	52%	174%	52%	174%	52%
182%	54%	182%	54%	182%	54%	182%	54%	182%	54%	182%	54%	182%	54%	182%	54%	182%	54%	182%	54%
190%	56%	190%	56%																

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72 Month		Div.	Yld.	PE	Std.		Cov.	Cov. Coef.
High	Low				High	Low		
15%	1%	Stock	4.0	2.1	9	381	18%	19%
20%	1%	Stock	4.0	2.1	9	381	20%	20%
25%	1%	Stock	4.0	2.1	9	381	25%	25%
30%	1%	Stock	4.0	2.1	9	381	30%	30%
35%	1%	Stock	4.0	2.1	9	381	35%	35%
40%	1%	Stock	4.0	2.1	9	381	40%	40%
45%	1%	Stock	4.0	2.1	9	381	45%	45%
50%	1%	Stock	4.0	2.1	9	381	50%	50%
55%	1%	Stock	4.0	2.1	9	381	55%	55%
60%	1%	Stock	4.0	2.1	9	381	60%	60%
65%	1%	Stock	4.0	2.1	9	381	65%	65%
70%	1%	Stock	4.0	2.1	9	381	70%	70%
75%	1%	Stock	4.0	2.1	9	381	75%	75%
80%	1%	Stock	4.0	2.1	9	381	80%	80%
85%	1%	Stock	4.0	2.1	9	381	85%	85%
90%	1%	Stock	4.0	2.1	9	381	90%	90%
95%	1%	Stock	4.0	2.1	9	381	95%	95%
100%	1%	Stock	4.0	2.1	9	381	100%	100%

[illegible][illegible][illegible][illegible][illegible]**NYSE Highs-Lows** Jan. 9

NEW NIGHTS 43

ALLTEL Cp Bardonia Chert/Pr Fid/Pr GTFI p18 Harper Row MedPac SciCorp City Rte Twp UNE 12987	AmStores Borden Centilli Fusion GrAm/Inf LamN Mfg MoPS 244p Pactica 4 07p Res/Sys Soc/Inf Unitel	AmStor p1a Britt/ai ap Brown Cks Fusad 125p Hosk/Hut Inc Moz/Hut Inc North Omaha Payroll/D RollingCam n Tenn/Inf Unitel	Arms/Rub a Cent/Inf Emm/Inf Gentler S n Horn/Inf Inv Minn Pw/L Pac Lshtg Pho 14 425p Sci/Inf Unitel/Inf
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AMEX Highs-Lows

NEW HIGHS 23			
AMI Hoge	Blessing	CzPstBcp	CRPst 2.50
vContAir	vContAir pf	Ero Ind 3	Glossier
Matrix 1	ODKee	PGE 1.25ct	PGE 1.25Pst
PGE 16.24pf	PGE 2.25pf	Pembar	RW C
SystEng	SocCar	Shd Share	Shrt Exdr
	TempAirCp		
NEW LOWS 13			
Alarmis n	AmiRarity n	BowValley	CrmnCnPet
nCrnCn P	MOuGHTi	MePub Sv	Maicrht n 8
NuHorn 1	Transit	Vicon	Wesco

PERSONALITIES PLUS
MARY BLUME
THE WEEKEND SECTION
OF FRIDAY'S IHT

Over-the-Counter

NASDAQ National Market Prices**Jan. 9**[illegible][illegible][illegible][illegible]

هكذا وصفنا العمل

What makes Morgan the most innovative bank in both the Eurobond and syndicated loan markets

When the leading participants in the world's capital markets were asked by *Euromoney* magazine which bank is the most innovative in the international bond and syndicated loan markets—"the best house for introducing successful new techniques"—Morgan ranked first in both areas.

"Morgan is a corporate finance-driven merchant bank, (which) may explain some of its inventiveness," *Euromoney* wrote in its commentary on the poll results. "It tends to see the securities business from a company's point of view; its corporate finance officers estimate how the bank's forex, swap and Eurobond capabilities can minimize costs and meet the particular needs of the client company."

Morgan has earned this recognition by putting our uniquely comprehensive set of capabilities to work for the long-term interests of our clients.

☐ As a major participant in the capital, credit, and local currency markets, as well as in worldwide foreign exchange, government bond, and bullion markets, we have exceptional opportunities for exploiting intermarket arbitrage for the benefit of our clients in innovative ways.

☐ Morgan is the leading counterparty that can act with equal proficiency as either principal or agent in rate and currency swap transactions. Our especially strong capital position, reflected in our AAA/Aaa credit ratings,

The <i>Euromoney</i> Poll		
"Which bank is the most innovative in terms of new instruments and pricing?"*		
Eurobonds		
Rank		Votes
1	Morgan Guaranty	96
2	Credit Suisse First Boston	71
3	Salomon Brothers	62
4	Merrill Lynch	47
5	Morgan Stanley	24
6	Orion Royal	8
7	Swiss Bank Corporation	8
8	Manufacturers Hanover	6
9	Citibank	5
	Morgan Grenfell	5
	Samuel Montagu	5
	Smith Barney, Harris Upham	5
Syndicated Loans		
1	Morgan Guaranty	48
2	Citibank	45
3	Chase Manhattan	27
4	Samuel Montagu	15
5	Credit Suisse First Boston	11
6	Bankers Trust	9
7	Merrill Lynch	6
8	Bank of America	5
	Manufacturers Hanover	5
10	Chemical Bank	4
	Lloyds Bank International	4

*Asked of managers in the international bond and syndicated loan markets.
Source: *Euromoney*, October 1984.

enhances our role as principal and can reduce client costs and risks in each swap we arrange.

☐ Because Morgan concentrates on the in-

ternational capital markets, we can devote all our worldwide resources to providing superior service in these markets to our clients.

A recent example of Morgan innovation:

For a \$500 million Kingdom of Sweden floating-rate note issue, our Eurobond underwriting subsidiary, Morgan Guaranty Ltd, proposed the first U.S. Treasury-style auction in the international capital markets, then committed to place a competitive bid for the entire issue. The package gave Sweden the lowest cost related to the London Inter-Bank Deposit Bid Rate ever achieved in the Eurodollar floating-rate note market. And its success led to a second Swedish auction issue, for \$700 million.

Other recent examples: profitable Deutschmark defeasance transactions for three major U.S. issuers, and zero-coupon Eurobond issues which we swapped into floating-rate funding for Electricité de France, Nordic Investment Bank, and Swedish Export Credit.

Measure our performance. Let us compete for your mandate. You'll find we deliver imaginative, cost-effective services in the capital markets with the same high quality and skill that have long been hallmarks of all Morgan banking business.

Morgan Guaranty Ltd, 30 Throgmorton Street, London EC2N 2DT
Morgan Guaranty Trust Company, 23 Wall Street, New York, NY 10015

The Morgan Bank

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☐ My payment is enclosed (Check or money order to the IHT).
Please charge my:
☐ Access ☐ American Express ☐ Diners Club ☐ Eurocard ☐ Mastercard ☐ Visa
Card account number:

INTERNATIONAL

_____ Card expiry date _____

My name _____ Signature _____

Address _____

City _____ Country _____

Job/Profession _____ Nationality _____ Tel. N° _____

Company Activity _____

